UNIT SNAPSHOT

UGC NET COMMERCE

Unit VIII

Marketing Management

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MARKETING MANAGEMENT

What is MARKETING?

Marketing is the study and management of exchange relationships. Marketing is the business process of creating relationships with and satisfying customers. With its focus on the customer, marketing is one of the premier components of business management.

Philip Kotler defines marketing as *Satisfying needs and wants through an exchange process.*

Definitions:

F, E. Clark, "Marketing consists of those efforts which effect transfer in ownership of goods and core for their physical distribution."

Stanton and Others, "Marketing is a total system of business activities designed to plan price promotes and distribute wants-satisfying products to target markets to achieve organisational objectives."

Kotler and Armstrong, **"**Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and values with others."

The objective of marketing is to ascertain consumer needs, convert them into ideas, products or services and move such ideas etc. to the final consumer or user, to satisfy certain needs and wants of specific consumer segments with emphasis on profitability, ensuring the optimum use of the resources available to the organisation.

Concepts of Marketing-

- **Production Concept:** The idea of production concept – "Consumers will favor products that are available and highly affordable". This concept is one of the oldest in business, holds that consumers prefer products that are widely available and inexpensive. A firm focusing on a production orientation specializes in producing as much as possible of a given product or service in order to achieve economies of scale or economies of scope

- **Product Concept:** The product concept holds that the consumers will favor products that offer the most in quality, performance and innovative features. Here; under this concept, Marketing strategies are focused on making continuous product improvements. Product quality and improvement are important parts of marketing strategies, sometimes the only part. Targeting only on the company's products could also lead to marketing myopia.

- **Selling Concept:** The selling concept holds the idea- "consumers will not buy enough of the firm's products unless it undertakes a large-scale selling and promotion effort"**.**

- Here the management focuses on creating sales transactions rather than on building long-term, profitable customer relationships.
- In other words; the aim is to sell what the company makes rather than making what the market wants. Such aggressive selling program carries very high risks.

- A firm using a sales orientation focuses primarily on the selling/promotion of the firm's existing products, rather than determining new or unmet consumer needs or desires. Consequently, this entails simply selling existing products, using promotion and direct sales techniques to attain the highest sales possible.

Marketing Concept

The marketing concept holds- "achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do".

- Here marketing management takes a "customer first" approach.
- Under the marketing concept, customer focus and value are the routes to achieve sales and profits.

- The marketing concept is a customer-centered “sense and responds” philosophy. The job is not to find the right customers for your product but to find the right products for your customers.
- The marketing concept and the selling concepts are two extreme concepts and totally different from each other.

Societal marketing concept

The **societal marketing** is a marketing concept that holds that a company should make marketing decisions not only by considering consumers' wants, the company's requirements, but also **society's long-term interests**. Therefore, marketers must endeavour to satisfy the needs and wants of their target markets in ways that preserve and enhance the well-being of consumers and society as a whole. Sustainable marketing or green marketing is an extension of societal marketing.

Holistic marketing concept

A **Holistic Marketing** approach states that business is considered as a whole wherein all the departments viz. R&D, Marketing, Finance, HR, etc. are integrated and work collectively towards the marketing and sale of a product. This approach has recently gained popularity because of the increased competition in the market where everyone is trying to create the brand image in the minds of the customers.

Holistic marketing is based on 360-degree view approach, where ideas and suggestions from everyone who are directly or indirectly related to the business are taken to match up with the changing marketing trends.

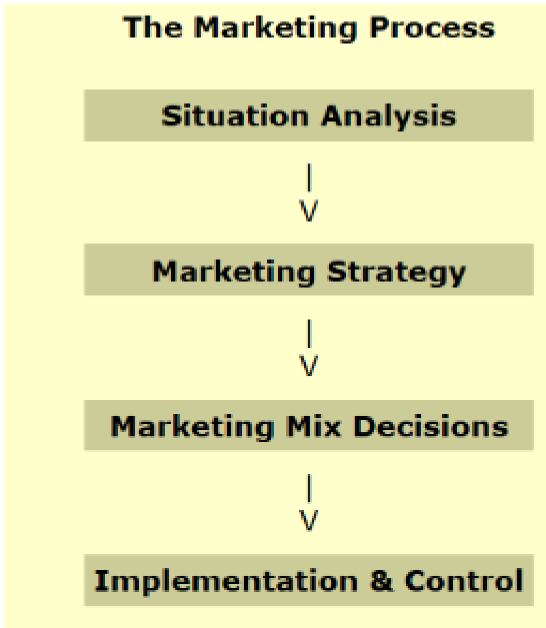
There are four components that can very well characterize the holistic marketing approach:

1. **Relationship Marketing**– Relationship marketing focuses on building a strong and long-lasting relationship with all who can directly or indirectly add to the success of an organization. This is the most essential character of holistic marketing that results in a "**marketing network"** that shows how well all the stakeholders have created mutually profitable business relationships.
2. **Integrated Marketing**– Integrated marketing means how well the 4 P's of the marketing mix (product, price, place, promotion) are synced to deliver the efficient message to the prospective customers.
3. **Internal Marketing**– Internal marketing means hiring, training, motivating and inculcating business values in able employees who can serve customers well.This approach is based on a general understanding that if employees do not have full information about the product then how can we expect them to convince the customers to purchase it.Thus, internal marketing is an important holistic marketing trait that is prevalent at all the levels of the organization.

4. Performance Marketing– Performance marketing focuses on the returns to the business from the marketing activities undertaken as well as the effects of the same on the society as a whole. The marketer has to give answers to the top authority for the amount spent on marketing activities along with its effects on business.

Marketing Process

Under the marketing concept the firm must find a way to discover unfulfilled customer needs and bring to market, products that satisfy those needs.



Situational Analysis:

- A thorough analysis helps the firm to identify opportunities to satisfy unfulfilled customer needs. In addition, the firm must understand its own capabilities and the environment in which its operating.
- It can be viewed as an analysis of the external environment and an internal analysis of the firm itself.

Several frameworks can be used like:

1. **5 C Analysis**: company, customers, competitors, collaborators, climate. Company represents the internal analysis whereas the other four cover aspects of the external situation.
2. **PEST** Analysis
3. **SWOT** Analysis

Marketing Strategy:

- ➢ Once the best opportunity is identified, a strategic plan for perusing the opportunity can be developed.
- ➢ Market Research will provide specific market information that will permit the firm to select the target market segment and optimally position the offering within that segment.

The market strategy then involves:

1. Segmentation
2. Targeting (target market selection)
3. Positioning the product within the target market
4. Value proposition to the target market.

Marketing Mix Decisions:

Detailed targeting decisions then are made for the controllable parameters of the marketing mix.

- ➢ Product development: specifying, designing, and producing the first units of the product.
- ➢ Pricing decisions
- ➢ Distribution contacts
- ➢ Promotional campaign development.

Implementation and Control:

At this point in the process, the marketing plan has been developed and the product has been launched. Given that few environments are static, the results of the marketing effort should be monitored closely.

As the market changes, the marketing mix can be changed to accommodate the changes. Like small changes in consumer wants can be addressed by changing the advertising message. As changes become more significant, a product redesign or an entirely new product may be needed.Continuous monitoring is needed to fulfil customer needs over the long term.

Relationship Building Blocks: Customer Value and Satisfaction

- The basis of relationship marketing is **customer loyalty** because retaining customers over their life will contribute to enhanced profitability. This implies that companies have to learn continuously about their customers' needs and expectations, which are ever changing and unpredictable.

- Customer relationships can then be enhanced by offering increased value which companies are able to derive from their learning.

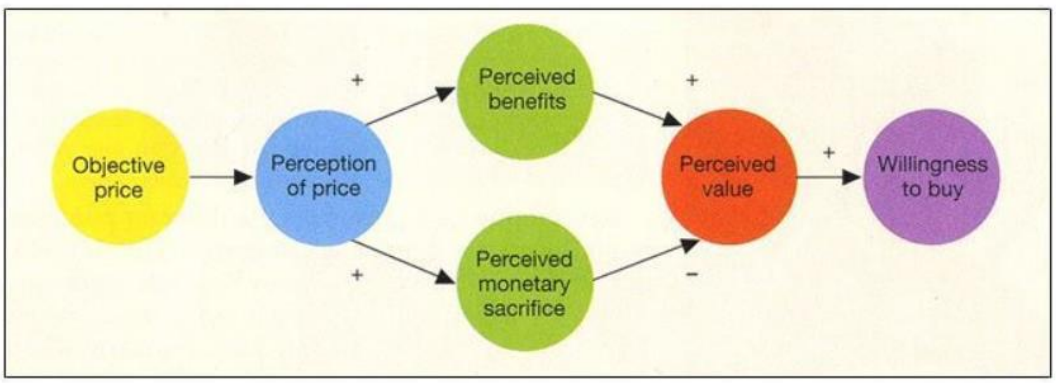
- Enhancing relationships with customers means treating them fairly, enhancing the core service by adding extra value , providing a highly customized service for each individual.

- Managers should also deploy loyalty schemes to keep the existing customers satisfied.

Customer satisfaction and value are both fundamental concepts in the understanding of marketing. It is important to note that while they are highly interrelated, they also operate independently.

➢ **Customer Value:** A customer buys from the firm that offers **the highest customer perceived value** – the customer's evaluation of the difference between all the benefits and all the costs of a marketing offer relative to those competing offers.

Figure: Relationships among price, perceived value and willingness to buy



Value is when a consumer perceives that they will get a good deal from the company, brand, product or service. To put this in more marketing terms, the consumer will see value when the benefits they expect to receive exceed the expected costs and effort involved in acquiring the product. **The difference between the total benefits and the total costs constitutes customer value.**

This means that value is a **pre-purchase assessment** of the product by the consumer. If a consumer perceives that the product brand or service offers very little value based on their pre purchase assessment OR if they perceive that it offers less value than a competitive offering, then the consumer will not buy that particular item

➢ **Customer Satisfaction:** Customer satisfaction, on the other hand, occurs after the consumer has become a customer. That means they have purchased the product or have had dealings with a service firm with. Customer satisfaction is their assessment of how well that value was delivered – that is, did they get the value that they expected to receive? In terms of the buyer decision process, this customer satisfaction assessment occurs in the **post-purchase phase**.

Therefore, the difference between customer satisfaction and value is that one is a pre-purchase assessment and the other is a post purchase assessment; as shown in the following model.

Marketing Mix

Marketing decisions fall into the following four controllable categories:

❖ Product
❖ Price
❖ Place
❖ Promotion

These four P's are the parameters of the marketing manager can control, subject to internal and external constraints of the marketing environment.

- The term marketing mix became popularized after **Neil H. Borden** published his 1964 article, *The Concept Of Marketing Mix.*
- The ingredients in Borden's marketing mix was later grouped into 4 categories product, price, place and promotion by **E. Jerome McCarthy.**

CATEGORY	DEFINITION	MARKETING DECISIONS
PRODUCT	A product refers to an item that satisfies the consumer's needs or wants. Products may be tangible (goods) or intangible (services, ideas or experiences).	Product design – features, quality Product assortment – product range, product mix, product lines Branding Packaging and labelling Services (complementary service, after-sales service, service level) Guarantees and warranties Returns Managing products through the life-cycle
PRICE	Price refers to the amount a customer pays for a product. Price may also refer to the sacrifice consumers are prepared to make to acquire a product (e.g. time or effort). Price is the only variable that has implications for revenue. Price also includes considerations of customer perceived value.	Price strategy Price tactics Price-setting Allowances – e.g. rebates for distributors Discounts – for customers Payment terms – credit, payment methods
PLACE	Refers to providing customer access Considers providing convenience for consumer.	Strategies such as intensive distribution, selective distribution, exclusive distribution Franchising; Market coverage Channel member selection and channel member relationships Assortment Location decisions Inventory Transport, warehousing and logistics
	Promotion refers to marketing	Promotional mix - appropriate balance of advertising, PR, direct marketing and sales

PROMOTI ɔN	ɔommunications May comprise elements ṣuch as: advertising, PR, lirect marketing and ṣales promotion.	ɔromotion Message strategy - what is to be ɔommunicated Channel/ media strategy - how to reach the arget audience Message Frequency - how often to ɔommunicate

In 1981, ***Booms and Bitner*** proposed a model of **7 Ps**, comprising the original 4 Ps plus *process*, *people* and *physical evidence*, as being more applicable for **services marketing.**

People: are essential in the marketing of any product or service. Personnel stand for the service.

- In the professional, financial or hospitality service industry, people are not producers, but rather the products themselves.
- When people are the product, they impact public perception of an organization as much as any tangible consumer goods.
- From a marketing management perspective, it is important to ensure that employees represent the company in alignment with broader messaging strategies.
- This is easier to ensure when people feel as though they have been treated fairly and earn wages sufficient to support their daily lives.

Process: refers to a "set of activities that results in delivery of the product benefits". A process could be a sequential order of tasks that an employee undertakes as a part of their job. It can represent sequential steps taken by a number of various employees while attempting to complete a task.

Physical Evidence: refers to the non-human elements of the service encounter, including equipment, furniture and facilities.

- It may also refer to the more abstract components of the environment in which the service encounter occurs including interior design, colour schemes and layout.
- Some aspects of physical evidence provide lasting proof that the service has occurred, such as souvenirs, mementos, invoices and other livery of artifacts.

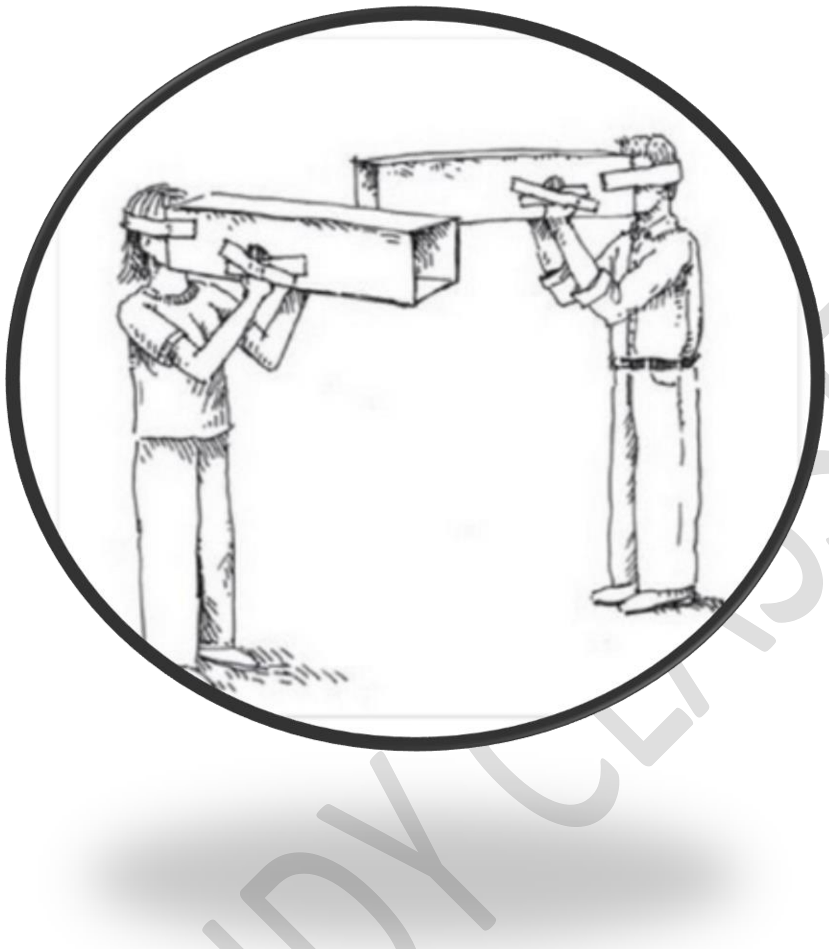
Lauterborn's 4 Cs (1990)

Robert F. Lauterborn proposed a **4 Cs classification** in 1990. His classification is a more consumer-orientated version of the 4 Ps that attempts to better fit the movement from mass marketing to niche marketing:

4Ps	4Cs	Definition
Product	Consumer wants and needs	A company will only sell what the consumer *specifically* wants to buy. So, marketers should study consumer wants and needs in order to attract them one by one with something he/she wants to purchase.
Price	Cost	The total cost will consider f or example the *cost of time* in acquiring a good or a service, a *cost of conscience* by consuming that
Promotion	Communication	While promotion is "manipulative" and from the seller, communication is "cooperative" and from the buyer with the aim to create a dialogue with the potential customers based on their needs and lifestyles.
Place	Convenience	In the era of internet place is becoming less relevant. Convenience takes into account the ease of buying the product, finding the product, finding information about the product, and several other factors.

Marketing Myopia

Theodore Levitt, editor of the journal, ‘Harvard Business Review,’ was the first to coin the theory, ‘Marketing Myopia,’ a well-known term in the marketing world. It was actually the title of his marketing research paper which was first published in the year 1960 in the same Harvard journal.



The Myopic cultures, Levitt postulated, would pave the way for a business to fall, due to the short-sighted mindset and illusion that a firm is in a so-called 'growth industry'.

- This belief leads to complacency and a loss of sight of what customers want. It is said that these people focus more on the original product and refuse to adapt directly to the needs and wants of the consumer.
- To continue growing, companies must ascertain and act on their customers' needs and desires, not bank on the presumptive longevity of their products.

Marketing Myopia Theory suggests an organization to

- Be as consumer focused as possible
- Be constantly innovative
- Be in a position to control
- Be in a position to understand customer desires
- Be able to conduct regular research programs
- Be able to adapt to innovative marketing strategies depending on the consumer feedback.

EXAMPLES: Nokia losing its market share to Android and iOS

- Kodak losing its share to Sony cameras when digital cameras boomed and Kodak didn't plan for it.
- Hollywood didn't tap into the television market as it was only focused in making movies.

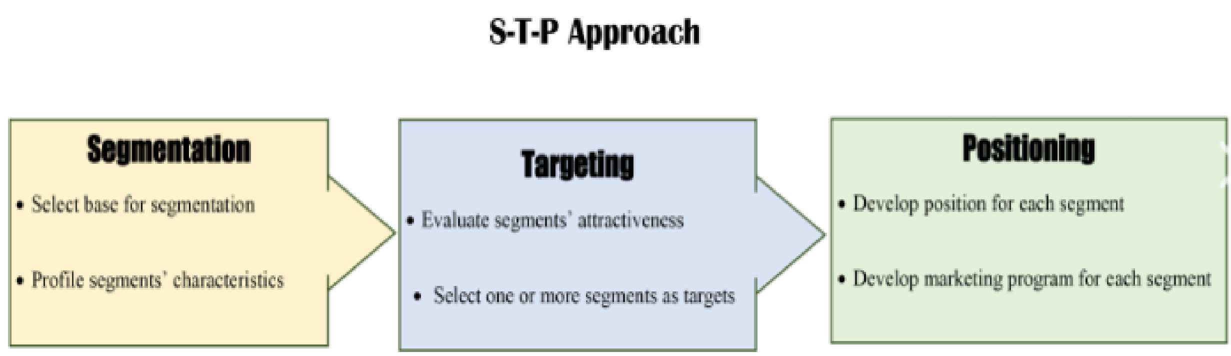
New marketing myopia: The "new marketing myopia" occurs when marketers fail to see the broader societal context of business decision making, sometimes with disastrous results for their organization and society.

It stems from three related phenomena:

(1) A single-minded focus on the customer to the exclusion of other stakeholders,

(2) An overly narrow definition of the customer and his or her needs, and

(3) A failure to recognize the changed societal context of business that necessitates addressing multiple stakeholders.



Market Segmentation

- Means breaking down the entire consumer market into the subdivision of customers who share the similar set of needs and wants and have more or less related characteristics.

The purpose of the market segmentation is to categorize the heterogeneous market into the groups that are homogeneous in nature so that firms can focus completely on a set of customer's needs and plan the marketing mix **(product, price, place, promotion)** accordingly.

Requirements of Market Segments

- **IDENTIFIABLE:** the differentiating attributes must be measurable so that they can be identified.
- **ACCESSIBLE:** the segments must be reachable through communication and distribution channels.

- **SUBSTANTIAL:** the segments should be sufficiently large to justify the resources required to target them
- **UNIQUE NEEDS**: to justify separate offerings, the segments must respond differently to the different marketing mix.
- **DURABLE:** the segments should be relatively stable to minimize the cost of frequent changes.

A good MARKET SEGMENTATION will result in segment members that are internally homogenous and externally heterogenous.

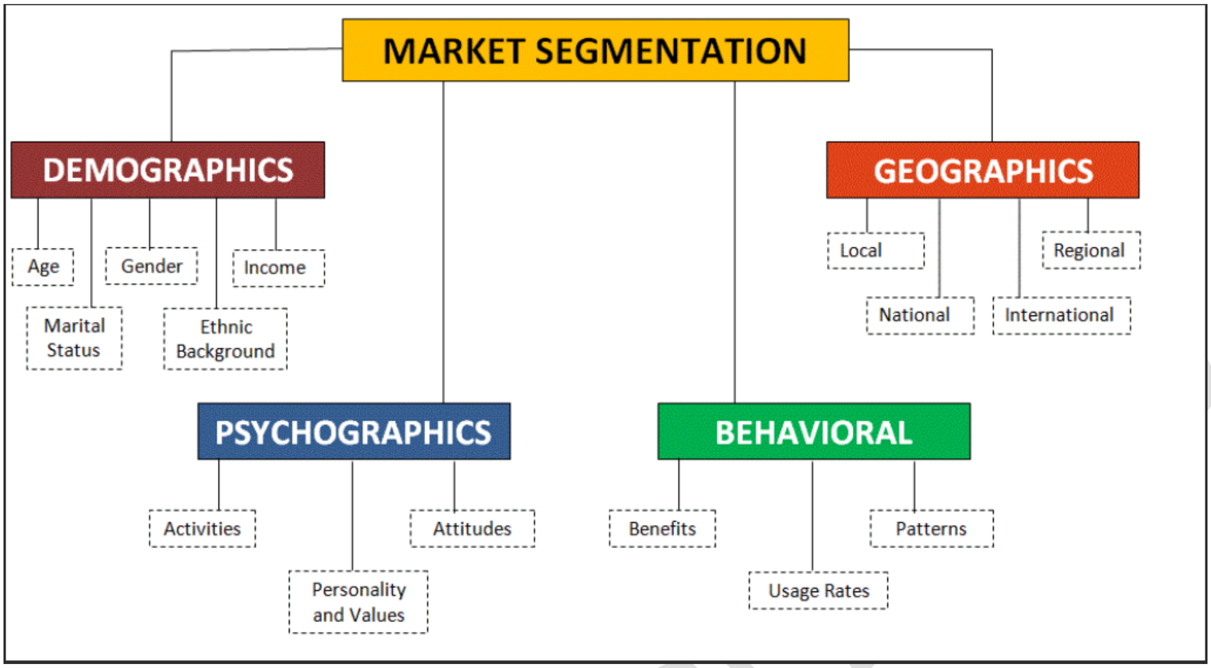
Bases of Market Segmentation

➢ **Geographical Segmentation:** Here, the segmentation is done on the basis of the geographical location of the customers. The geographical segmentation is based on the premise that people living in one area have different purchasing or buying habits than those living in other areas of the country.

➢ **Demographic Segmentation:** The demographic segmentation means dividing the customer market on the basis of several variables such as age, sex, gender, occupation, income, education, marital status, family size, community, social status, etc.

➢ **Psychographic Segmentation:** The psychographic segmentation relates to the personality, lifestyle, and attitude of the individual. It is believed that the consumer buying behaviour can be determined by his personality and lifestyle. The personality refers to the traits, attitudes and habits of an individual and the market is segmented according to the personal traits such as introvert, extrovert, ambitious, aggressiveness, etc.

➢ **Behavioural Segmentation:** Here, the marketer segments the market on the basis of the individual's knowledge about the product and his attitude towards the usage of the product. Several behavioural variables are occasions, benefits, user status, usage rate, buyer readiness stage, loyalty status and the attitude.



Levels of Market Segmentation

- **Mass Marketing**: In this the marketer of the product targets the mass market or the entire consumer base. The seller uses mass distribution system to reach all the customers in the market. E.g. Toothpaste, detergents.

- **Segment Marketing**: In this the marketer divides the market into different segments depending on the consumer buying behaviour, requirements, purchasing power etc. e.g. a passenger car maker which has different range of passenger cars catering to different segments and markets.

- **Niche Marketing**: the seller caters to a very specific market segment which requires for attention and very high quality service. Market size is small which enables the seller to provide niche areas of service. It's not likely to attract competition. For E.g. Harley Davidson offers high end bikes.

- **Micro Marketing**: can be defined as an activity used to market products or services directly to targeted groups of individuals based on specific information that has been collected about them. The efforts are designed to meet the demands of a small section of people in the market.

- Local marketing-targets consumers/customers within a radius around a physical location with marketing messages tailored to the local populace.

• Individual marketing- refers to tailoring products and marketing programs to the needs and preferences of individual customers- also called one-to-one marketing, customized marketing, and markets-of-one marketing.

Target Market

• **A target market is a group** of customers within a business's serviceable available market at which a business aims its marketing efforts and resources. A target market is a subset of the total market for a product or service.

• The target market typically consists of consumers who exhibit similar characteristics (such as age, location, income or lifestyle) and are considered most likely to buy a business's market offerings or are likely to be the most profitable segments for the business to service.

• Selection of a target market (or target markets) is part of the overall process known as **S-T-P** (**S**egmentation→**T**argeting→**P**ositioning).

• Two important factors to be considered when selecting a Target Market are the:

❖ Attractiveness of the segment.

❖ The fit between the segment and the firm's objectives, resources and capabilities.

Target Market Strategies

- **Single-segment/ concentrated strategy-** one market segment is served with one marketing mix. Strategy of choice for smaller companies.

- **Selective specialization/differentiated strategy-** different marketing mixes are offered to different segments. The product may or may not be different but the promotional message varies.

- **Product specialization-** the firm specializes in a particular product and tailors it to different market

- **Market specialization-** the firm specializes in serving a particular market segment and offers that segment an array of different products.

- **Full market coverage-** the firm attempts to serve an entire market i.e. mass marketing.

MARKET POSITIONING

In their 1981 book**, Positioning: The Battle for your Mind, Al Ries and Jack Trout** described how positioning is used as a communication tool to reach the customer in a crowded market space.

- Refers to an overall strategy that "aims to make a brand occupy a distinct position, relative to competing brands, in the mind of the customer".
- "positioning is the act of designing the company's offering and image to occupy a distinct place in the target's mind ."- **Philip Kotler**

Positioning is Company's Image

Errors in Positioning

➢ **Under Positioning-** this error occurs when marketers take little steps for promotion of product due to which buyers are very less aware about the brand and its product's performance and popularity. The companies either do not have capacity to promote their product or do not have the marketing calibre of performing such roles. Example: ASUS laptops.

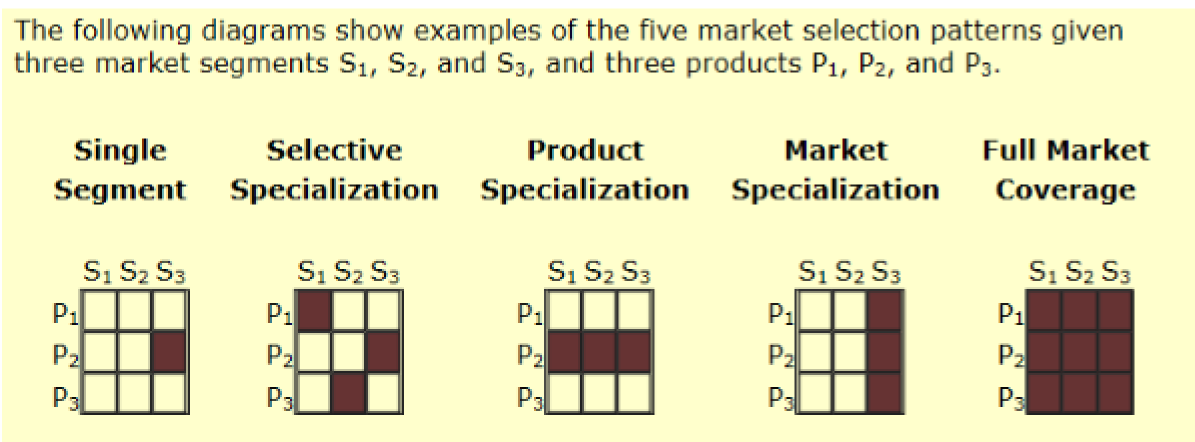
➢ **Over Positioning- it** refers to the error when marketer makes the product too special, so the potential consumer group becomes too small. The buyer believes that the product is meant for a very select audience because it is premium priced.

Example: Aqua Sure.

➢ **Confused Positioning-** when the company claims two or more benefits which contradict each other.

➢ **Doubtful Positioning-** this error occurs when doubt arises in the mind of the buyer regarding the company's claim of benefits through the product. Customers have doubt regarding the promises made by the company.

Example: Hair Gain Oil, Weight loss medicines.



Positioning Strategies

- **Attribute positioning:** A product attribute is a **specific feature or benefit of the product**. Positioning in this way focuses on one or two of the product's best features/benefits, relative to the competitive offerings. For e.g. 'Raymonds since 1925' positions itself on its existence.
- **Benefit positioning:** Corporate may position itself as a leader in a certain benefit which they provide to their customer. E.g. Maruti- service station

- **Use or application positioning:** Corporate may position their product for some use like CCD café coffee day positions itself as a place for discussion and meetings e.g. CCD- A LOT CAN HAPPEN OVER COFFEE
- **User positioning:** when a firm positions itself as best suited for a particular user class. E.g. Johnson & Johnson- for babies
- **Competition positioning:** in this category firm claims to be better than the rival firm e.g. Thumbs up against Pepsi.
- **Value positioning:** this strategy focuses on company's positioning as offering the best product at lower price. E.g. Mcdonald Burger @ 25 Rs only.

PRODUCT

✓ Product is a good, service, or idea consisting of a bundle of tangible and intangible attributes that satisfies consumers and is received in exchange for money or some other unit of value.

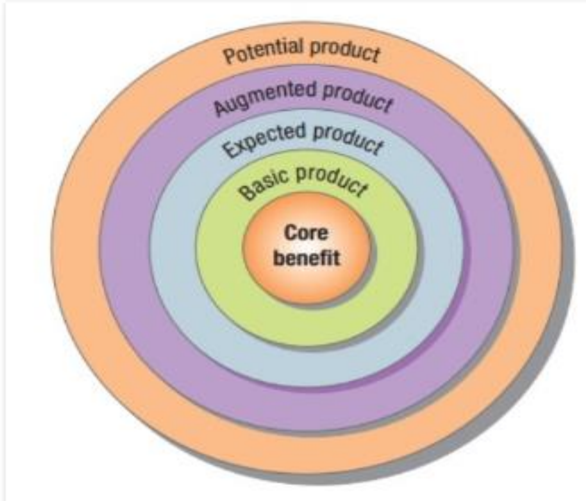
✓ Product is a bundle of physical, chemical and / or intangible attributes that have the potential to satisfy present and potential customer wants.

✓ In addition to the physical Good itself, other elements include the warranty, installation, after sales service accessories and package.

Product Levels in Marketing:

- **Core Product**: At the base level the utility that you are providing with the product, forms the core product or the core service. The more important the utility or the benefit you provide, the more likelihood that the customer needs your product. The more unique the core product (engineering), the lesser the players in the market and lesser the competition.

- **Basic product**: If we talk about restaurants, there are various types of restaurants. Some are 3 star, some 4 star, some 5 star and even 7 stars are found in this world. However, the basic level of a restaurant is the one found in your locality, offering basic food. If a hotel, wanted to turn its core product (rest and food) into a basic product, then the building of the hotel, the type of bed, the type of food, all together form the basic product.



- **Expected product**: Continuing the above example, if a person is going to a 5 star hotel, one expects a bed, and normal food? No. The expectation is built on the fact that the hotel is a 5 star hotel. As the brand grows in reputation, it has to take care of the expectations of the consumer. Daikin, which is a world renowned air conditioning brand, is expected to have world class service for its air conditioners. If it does not deliver on this expected product,then it will affect the basic product (air conditioner) as well.

- **Augmented product**: These products saw beyond the expectations of the customers and went on to provide "Exceeds customer satisfaction". This basically means that where you expected normal seats, these seats had warmers installed. A BMW or a Mercedes is an augmented product. When people were bored of normal cars and passenger cars offered by the likes of Volkswagen, General electric or others

- **Potential product**: Each and every company explores the potential of the products they already have in the market. A best example of Potential product is the rivalry between Facebook and Google for virtual reality. Where Facebook has Occulus rift for gaming, Google has google glass for day to day usage. Each of them is progressing forward to dominate in the potential product – Virtual reality.

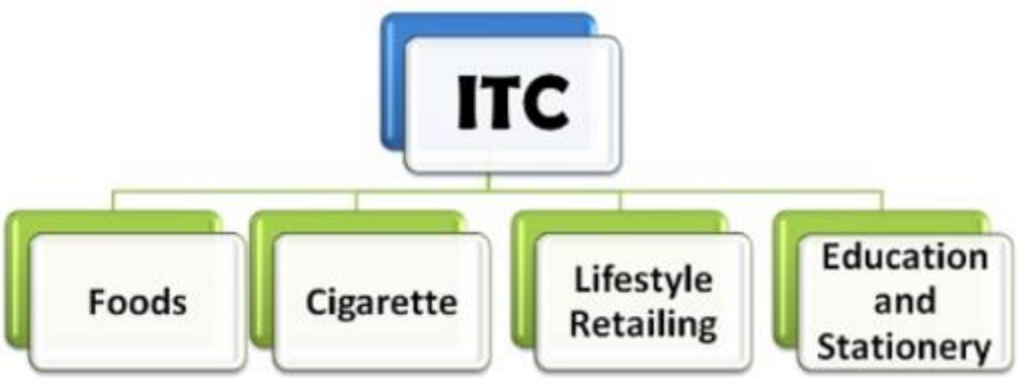
PRODUCT MIX

- The **Product Mix** also called as **Product Assortment,** refers to the complete range of products that is offered for sale by the company. In other words, the number of **product lines** that a company has for its customers is called as product mix.

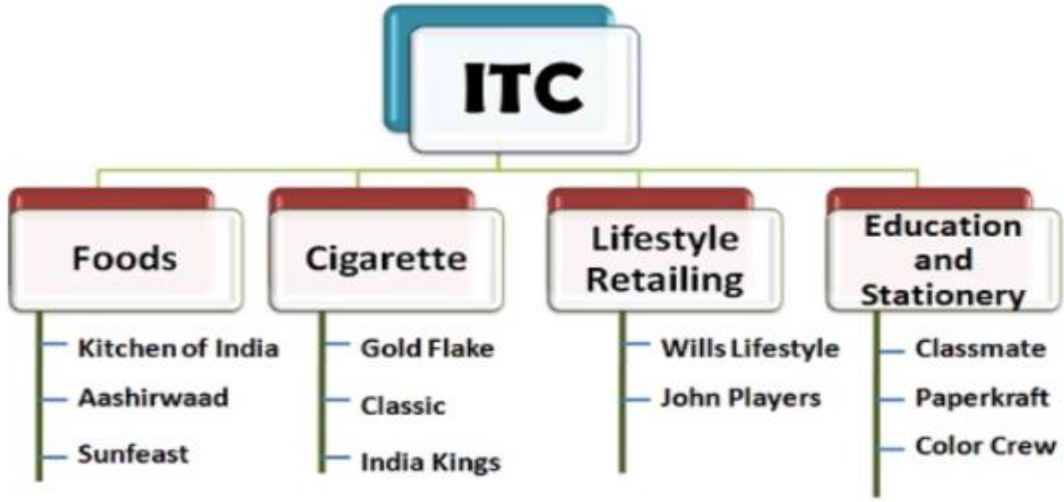
- The Product Line refers to the list of all the related products manufactured or marketed by a single firm.

The product mix has four dimensions: **Breadth**, **Length, Depth**, and **Consistency**.

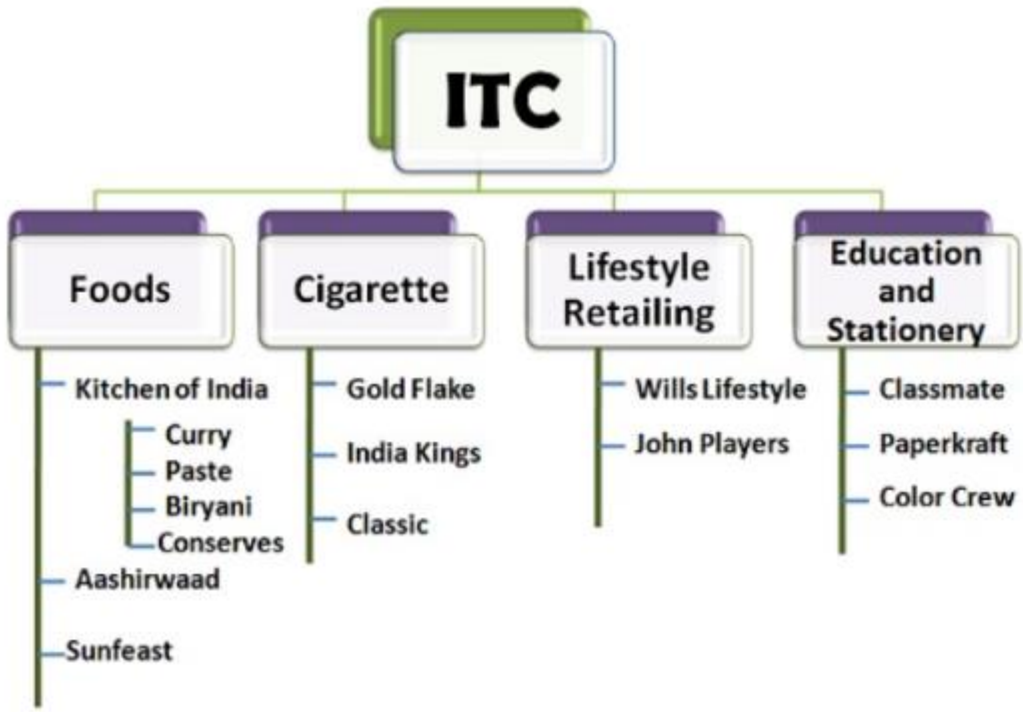
➢ The **Breadth of a product mix** shows the different kinds of product lines that firm carries. Simply, it shows the number of items in the product line. This dimension of the product mix represents the extent to which the activities of the firm are diversified. In the example below, there are 4 product lines that show the width of the ITC.



➢ The **Length of a Product mix** refers to the number of items in the product mix. In the example below the length is 11. As in the foods line, the number of items is 3, in cigarettes is 3 and so on.. On adding all the items, we get the length of a product.



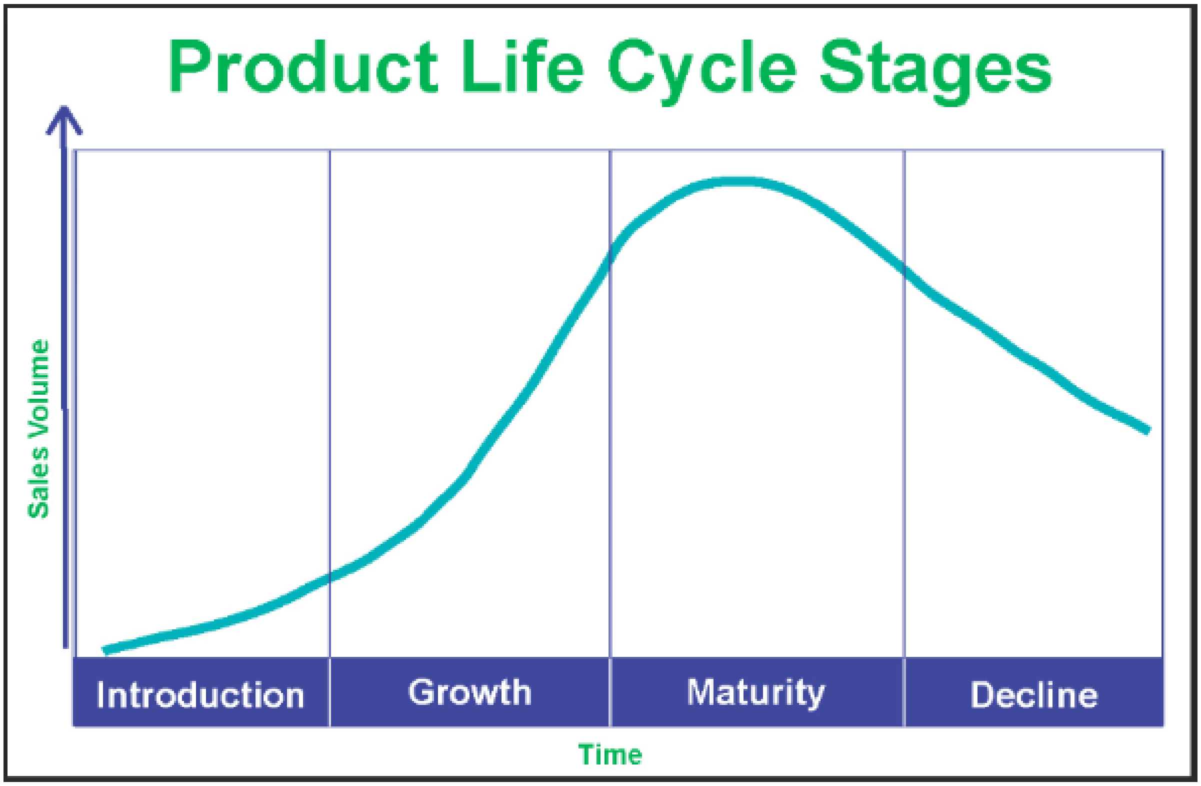
➢ The **Depth of a product mix** refers to the variants of each product in the product line. For example, in the example below, curry, pastes, biryanis, conserves, etc. shows the depth of the foods product line.



➢ The **Consistency of a product mix** shows the extent to which the product lines are closely related to each other in terms of their end-use, distribution requirements, production requirements, price ranges, advertising media, etc. In the above example, it is clear that ITC's product lines are less consistent as these perform different functions for the buyers.

Product Life Cycle

The **Product Life Cycle** means the sequence of stages that every product progresses through until it reaches the stage where it is finally abandoned or discontinued from the market.



1. Introduction Stage: The firm seeks to build product awareness and develop market for the product.

- **Product:** Branding and quality level is established and intellectual property protection such as patents and trademarks are obtained.
- **Pricing:** May be low penetration pricing to build market share rapidly, or high skimming to recover development cost.
- **Distribution:** is selective until consumers show acceptance of the product.
- **Promotion:** is aimed at innovators and early adopters. Marketing communications seeks to build product awareness and to educate potential consumers about the product.

2. Growth Stage: In the growth stage, the firm seeks to build brand preferences and increase market share.

- Product: quality is maintained and additional features and support services may be added.

- Pricing is maintained as the firm enjoys increasing demand with the competition.
- Distribution channels are added as demand increases and customers accept the product.
- Promotion is aimed at a broader audience.
- **Maturity Stage:** At maturity, the strong growth in sales diminishes. Competition may appear with similar products. The primary objective at this point is to defend market share while maximising profit.
- Product features maybe enhanced to differentiate the product from that of competitors.
- Pricing may be lower because of the new competition
- Distribution becomes more intensive and incentives may be offered to encourage preference over competing prices.
- Promotion emphasizes product differentiation.

3. Decline Stage: As sales decline, the firm has several options

- Maintain the product, possibly rejuvenating it by adding new features and finding new uses.
- Harvest the product- reduce costs and continue to offer it, possibly to a loyal niche segment.
- Discontinue the product, liquidating remaining inventory or selling it to another firm that is willing to continue the product.

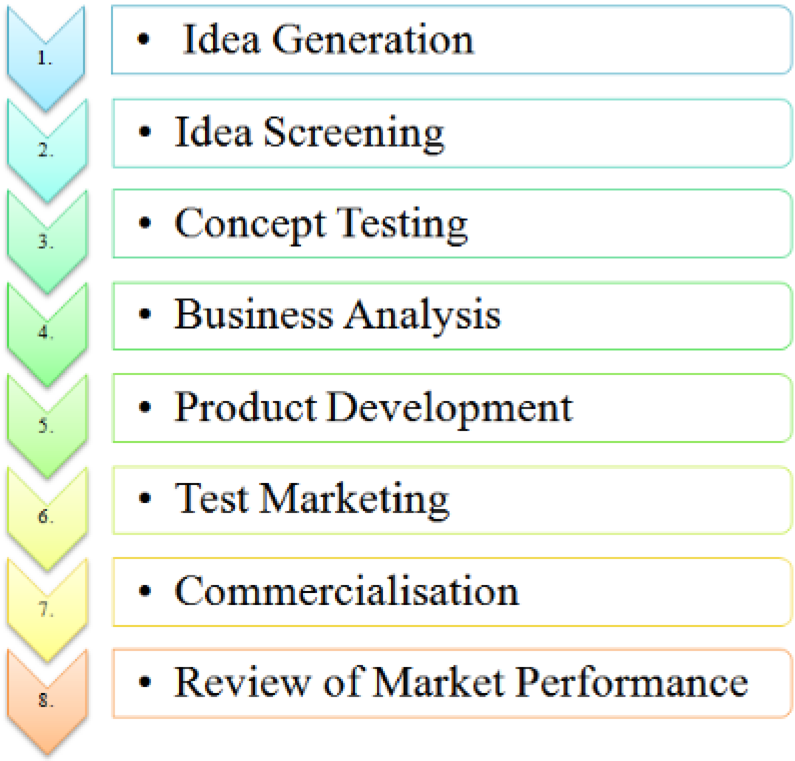
The marketing mix decisions in the decline phase depends upon the selected strategy.

- Product- the number of products in the product line may be reduced. Rejuvenate surviving products to make them look new again.
- Price- prices may be lowered to liquidate inventory or discontinue the products. Prices may be maintained to continue products for niche markets.
- Distribution- more selective, channels that are no longer profitable are phased out.
- Promotion- expenditures are lowered and aimed at reinforcing the brand image for continued products.

New Product Development

New product development is a task taken by the company to introduce newer products in the market. Regularly there will arise a need in the business for new product development.

Stages for New Product Development



PRICE

- Amount to be paid in return for a bundle of utilities.
- The price is the sum of all the values that a customer gives up to gain the benefits of having or using a product or service. Thus, customers exchange a certain value for having or using the product – a value we call price.

As we know the marketing mix (made up of product, price, place and promotion) is the perfect combination of elements you need to get right for effective marketing.

Pricing is one of the most important elements of the marketing mix, as it is the only element of the marketing mix, which generates a turnover for the organisation.

Pricing Factors

Pricing should take the following factors into account:

1. Fixed and variable costs
2. Competition
3. Company objectives
4. Proposed positioning strategies
5. Target group and willingness to pay

An organisation can adopt a number of pricing strategies, the pricing strategy will usually be based on corporate objectives.

PRICING TACTICS

❖ **Penetration Pricing-** Here the organisation sets a low price to increase sales and market share. Once market share has been captured the firm may well then increase their price.

EXAMPLE:A television satellite company sets a low price to get subscribers then increases the price as their customer base increases.

❖ **Skimming Pricing-** The organisation sets an initial high price and then slowly lowers the price to make the product available to a wider market. The objective is to skim profits of the market layer by layer.

EXAMPLE:A games console company reduces the price of their console over 5 years, charging a premium at launch and lowest price near the end of its life cycle.

❖ **Competition Pricing-** Setting a price in comparison with competitors. In reality a firm has three options and these are to price lower, price the same or price higher than competitors.

EXAMPLE: Some firms offer a price matching service to match what their competitors are offering. Others will go further and refund back to the customer more money than the difference between their price and the competitor's price.

❖ **Premium Pricing-** The price is set high to indicate that the product is "exclusive"
Examples of products and services using this strategy include Harrods, first class airline services, and Porsche.

❖ **Psychological Pricing-** The seller here will consider the psychology of price and the positioning of price within the market place.

EXAMPLE: The seller will charge 999 instead RS1000 or 199 instead of RS200. The reason why this methods work, is because buyers will still say they purchased their product under RS200, even thought it was a rupee away.

❖ **Complementary Pricing-** Complementary pricing is a collective term used to describe `captive-market' pricing tactics. It refers to a method in which one of two or more complementary products (a desk jet printer, for example) is priced to maximise sales volume, while the complementary product (printer ink cartridges) are priced at a much higher level in order to cover any shortfall sustained by the first product.

❖ **Product Line Pricing-** Pricing different products within the same product range at different price points.
An example would be a DVD manufacturer offering different DVD recorders with different features at different prices e.g. A HD and non HD version.. The greater the features and the benefit obtained the greater the consumer will pay.

❖ **Bundle Pricing-** The organisation bundles a group of products at a reduced price. Common methods are buy one and get one free promotions.
For example most of restaurant menus are in fact a **bundle of appetizer, main course and dessert**. The famous **MacDonald's "Best of" Menu** is the canonic example of bundle pricing.

The **Promotional Pricing** is a sales promotion technique, wherein the firm reduces the price of a product drastically, but for a short period.

1. **Special-Event Pricing:** Companies offer discounts and rebates on festivals, during the off-seasons with the intention to pull as many customers as possible.**Cash Rebates:** The consumer goods companies' viz. Automobile sector, electronics industry, cellular industry, etc. offers the cash rebates on their items if purchased in a particular time period.

2. **Loss-Leader Pricing:** Often the big retailers or supermarkets reduce the price of a well-known brand with the intention to have an additional store traffic.Through this strategy, the retailers try to compensate their margin loss from the additional sales achieved from additional customers.Generally, this type of strategy is opposed by the manufacturer because this can dilute the image of his brand; that is being sold at the list price by the retailer.
3. **Low-interest financing:** Nowadays, especially the cellular companies are offering an easy EMI scheme with less rate of interest, so as to boost the sale of their mobile sets.

4. **Warranties and service contracts:** The companies offer the extended warranties and free services of the product to the customers.

5. **Psychological Discounting:** This type of promotional pricing is very much visible these days. Under this strategy, the companies artificially set the high price of the product and then offer it at substantial savings, such as an item was of RS 359, but now it is available at just Rs 259.

The pricing methods can be broadly classified into two parts:

1. Cost Oriented Pricing Method
2. Market Oriented Pricing Method

Cost-Oriented Pricing Method: Many firms consider the **Cost of Production** as a base for calculating the price of the finished goods. Cost-oriented pricing method covers the following ways of pricing:

- **Cost-Plus Pricing:** It is one of the simplest pricing method wherein the manufacturer calculates the cost of production incurred and add a certain percentage of mark up to it to realize the selling price. The mark up is the percentage of profit calculated on total cost i.e. fixed and variable cost.

E.g. If the Cost of Production of product-A is Rs 500 with a mark up of 25% on total cost, the selling price will be calculated as *Selling Price= cost of production + Cost of* Production x Mark up Percentage/100

Selling Price=500+500 x 0.25= 625

Thus, a firm earns a profit of Rs 125 (Profit=Selling price- Cost price)

- **Mark up pricing-** This pricing method is the variation of cost plus pricing wherein the percentage of mark up is calculated on the selling price.**E.g.** If the unit cost of a chocolate is Rs 16 and producer wants to earn the mar kup of 20% on sales then mark up price will be:

Mark up Price= Unit Cost/ 1-desired return on sales

Mark up Price= 16/1-0.20 = 20

Thus, the producer will charge Rs 20 for one chocolate and will earn a profit of Rs 4 per unit.

- **Target-Return pricing**– In this kind of pricing method the firm set the price to yield a required Rate of Return on Investment (ROI) from the sale of goods and services.**E.g.** If soap manufacturer invested Rs 1,00,000 in the business and expects 20% ROI i.e. Rs 20,000, the target return price is given by:

Target return price= Unit Cost + (Desired Return x capital invested)/ unit sales Target Return

Price=16 + (0.20 x 100000)/5000Target Return Price= Rs 20

Thus, Manufacturer will earn 20% ROI provided that unit cost and sale unit is accurate. In case the sales do not reach 50,000 units then the manufacturer should prepare the break-even chart wherein different ROI's can be calculated at different sales unit.

- **Market-Oriented Pricing Method:** Under this method price is calculated on the basis of market conditions. Following are the methods under this group:

- **Perceived-Value Pricing:** In this pricing method, the manufacturer decides the price on the basis of customer's perception of the goods and services taking into consideration all the elements such as advertising, promotional tools, additional benefits, product quality, the channel of distribution, etc. that influence the customer's perception.

E.g. Customer buy Sony products despite less price products available in the market, this is because Sony company follows the perceived pricing policy wherein the customer is willing to pay extra for better quality and durability of the product.

- **Value Pricing**: Under this pricing method companies design the low priced products and maintain the high-quality offering. Here the prices are not kept low, but the product is re-engineered to reduce the cost of production and maintain the quality simultaneously.

E.g. Tata Nano is the best example of value pricing, despite several Tata cars, the company designed a car with necessary features at a low price and lived up to its quality.

- **Going-Rate Pricing-** In this pricing method, the firms consider the competitor's price as a base in determining the price of its own offerings. Generally, the prices are more or less same as that of the competitor and the price war gets over among the firms.

E.g. In Oligopolistic Industry such as steel, paper, fertilizer, etc. the price charged is same.

- **Auction Type pricing**: This type of pricing method is growing popular with the more usage of internet. Several online sites such as eBay, Quikr, OLX, etc. provides a platform to customers where they buy or sell the commodities. There are three types of auctions:

1. **English Auctions-**There is one seller and many buyers. The seller puts the item on sites such as Yahoo and bidders raise the price until the top best price is reached.

2. **Dutch Auctions**– There may be one seller and many buyers or one buyer and many sellers. In the first case, the top best price is announced and then slowly it comes down that suit the bidder whereas in the second kind buyer announces the product he wants to buy then potential sellers competes by offering the lowest price.

3. Sealed-Bid Auctions: This kind of method is very common in the case of Government or industrial purchases, wherein tenders are floated in the market, and potential suppliers submit their bids in a closed envelope, not disclosing the bid to anyone.

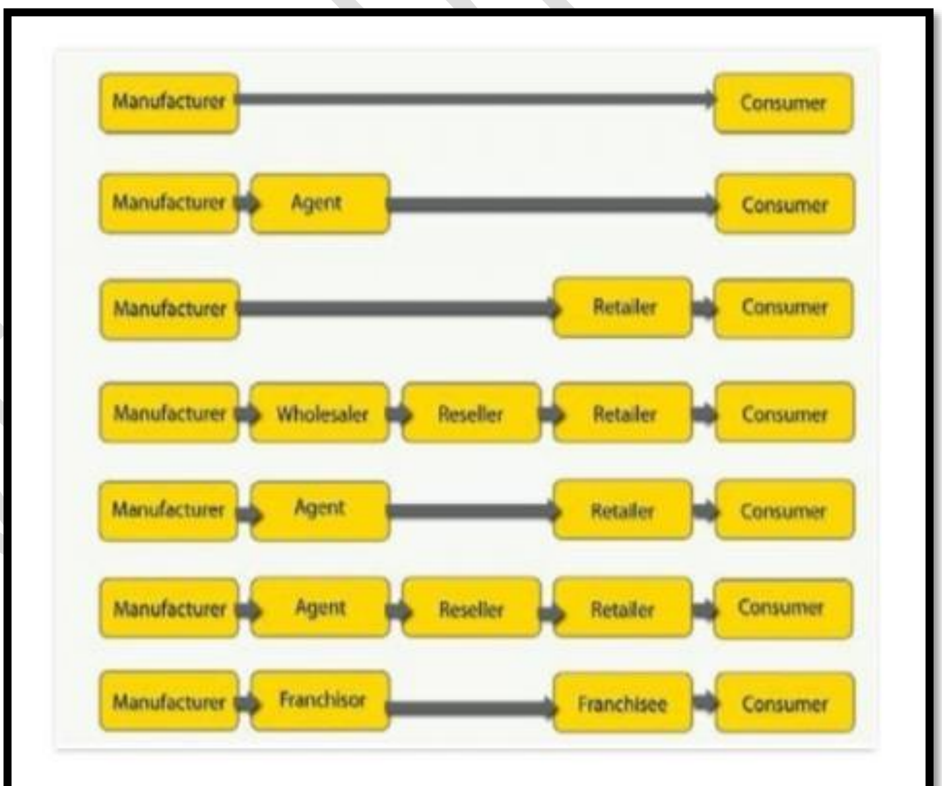
- **Differential Pricing**: This pricing method is adopted when different prices have to be charged from the different group of customers. The prices can also vary with respect to time, area, and product form.

E.g. The best example of differential pricing is Mineral Water. The price of Mineral Water varies in hotels, railway stations, retail stores.

PLACE

Place is also known as channel, distribution or intermediary. It is the mechanism through which goods and/or services are moved from the manufacturer/ service provider to the user or consumer.

(A marketing channel is) . . . a set ofinterdependent organisations that help make a product or service available for use or consumption by the consumer or business user. ***Kotler et al (2010)***



- Distribution management involves a diverse range of activities and disciplines including: detailed logistics, transportation, warehousing, storage, inventory management as well as channel management including selection of channel members and rewarding distributors.

DISTRIBUTION STRATEGIES:

- A Company can achieve **competitive advantage** by targeting customers far and wide. To reach far and wide the distribution strategies should be in place.
- Distribution strategy is mainly decided by keeping the **top management** in loop because it affects overall operations.

On a macro level, there are two types of distribution.

1) Indirect distribution

Indirect distribution is when the product reaches the end customer through numerous channels in between. For example – The product goes from manufacturer to C&F, then to the distributor, then to the retailer and finally to the customer. Thus the chain is long.

2) Direct distribution

Direct distribution is when the company either directly sends the product to end customer or when the channel length is very less. A company selling on an e commerce portal or selling through modern retail is the form of Direct distribution.

Furthermore, distribution strategies are also decided based **on the level of penetration** that the company wants to achieve. However, based on the level of penetration, the distribution strategies vary as follows.

When the company is having a mass marketing product, then it uses intensive distribution. Intensive distribution tries to cover as much of the market as it can. Typical FMCG and consumer durable products are best example of intensive distribution strategy.

3. Selective Distribution

A company like Armani, Zara or any other such branded company will have selective distribution. These companies are likely to have only limited outlets. For example – In an urban city, Armani might have 2-3 outlets at the maximum whereas Zara might have 4-5. Watches of Titan are also selectively distributed because besides being sold in "World of Titan" they are also sold in selected outlets.

4. Exclusive distribution

In an exclusive distribution approach, a manufacturer chooses to deal with one intermediary or one type of intermediary. The advantage of an exclusive approach is that the manufacturer retains greater control over the distribution process. In exclusive arrangements, the distributor is expected to work closely with the manufacturer and add value to the product through service level, after sales care or client support services. For Example Rolex, Lamborghini, Mercedes, BMW.

Push vs pull strategy supply chain Strategy

1. **Push Supply Chain Strategies**

A push-model supply chain is one where projected demand determines what enters the process. For example, warm jackets get pushed to clothing retailers as summer ends and the fall and winter seasons start. Under a push system, companies have predictability in their supply chains since they know what will come when – long before it actually arrives. This also allows them to plan production to meet their needs and gives them time to prepare a place to store the stock they receive.

2. **Pull Supply Chain Strategies**

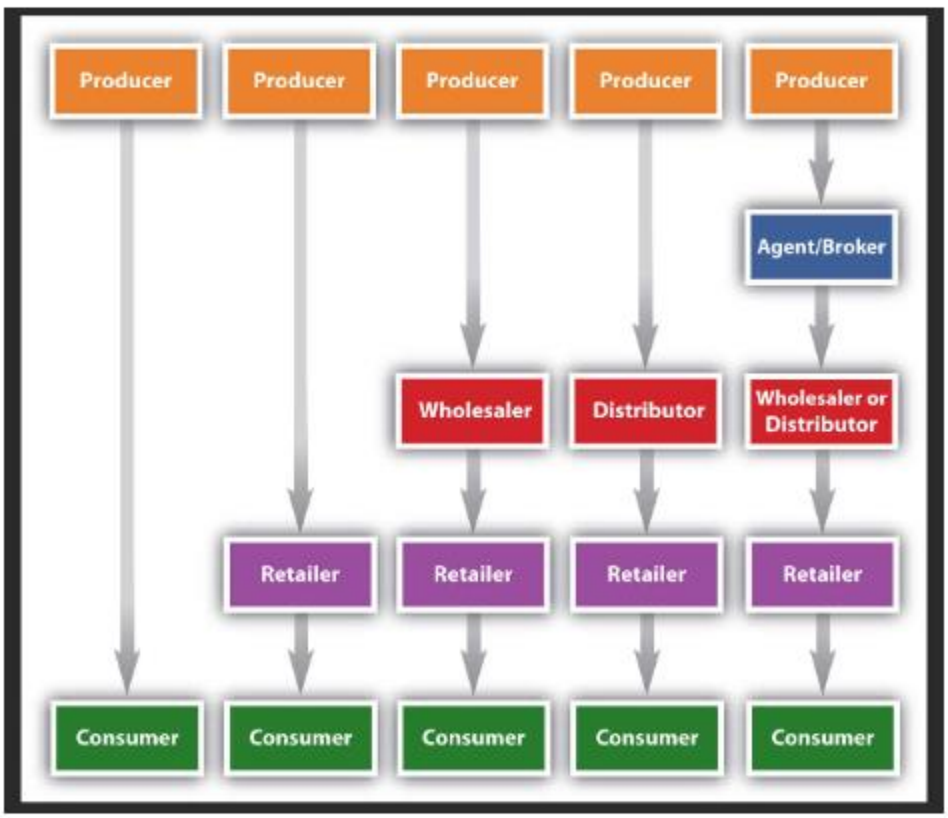
A pull strategy is related to the just-in-time school of inventory management that minimizes stock on hand, focusing on last-second deliveries. Under these strategies, products enter the supply chain when customer demand justifies it. One example of an industry that operates under this strategy is a direct computer seller that waits until it receives an order to actually build a custom computer for the consumer.

With a pull strategy, companies avoid the cost of carrying inventory that may not sell. The risk is that they might not have enough inventory to meet demand if they cannot ramp up production quickly enough.

Channels and intermediaries

- A marketing channel is the people, organizations, and activities necessary to transfer the ownership of goods from the point of production to the point of consumption.
- It is the way products get to the end-user, the consumer.
- This is mostly accomplished through merchant retailers or wholesalers or, in the international context, by importers.
- In certain specialist markets, agents or brokers may become involved in the marketing channel.

Types of Marketing Channels



Manufacturer Directly to Customer: Manufacturer makes the goods and sells them to the consumer directly with no intermediary, such as a wholesaler, agent or retailer. Goods come from the manufacturer to the user without an intermediary or middleman.

- **Manufacturer to Retailer to Consumer**: Purchases are made by the retailer from the manufacturer and then the retailer sells the merchandise to the consumer. This channel is used by manufacturers that specialize in producing shopping goods.

- **Manufacturer to Wholesaler to Customer:** Consumer's can buy directly from the wholesaler. The wholesaler breaks down bulk packages for resale to the consumer. The wholesaler reduces some of the cost to the consumer such as service cost or sales force cost, which makes the purchase price cheaper for the consumer.

- **Manufacturer to Agent to Wholesaler to Retailer to Customer:** Distribution that involves more than one intermediary involves an agent called in to be the middleman and assist with the sale of the goods. An agent receives a commission from the producer. Agents are useful when goods need to move quickly into the market soon after the order is placed.

Typical intermediaries involved in distribution include:

- **Wholesaler:** A merchant intermediary who sells chiefly to retailers, other merchants, or industrial, institutional, and commercial users mainly for resale or business use. Wholesalers typically sell in large quantities.
- **Retailer:** A merchant intermediary who sells direct to the public. There are many different types of retail outlet - from hypermarts and supermarkets to small, independent stores.
- **Agent:** An intermediary who is authorised to act for a principal in order to facilitate exchange. Unlike merchant wholesalers and retailers, agents do not take title to goods, but simply put buyers and sellers together. Agents are typically paid via commissions by the principal. For example, travel agents are paid a commission of around 15% for each booking made with an airline or hotel operator.
- **Jobber:** A special type of wholesaler, typically one who operates on a small scale and sells only to retailers or institutions. For example, rack jobbers are small independent wholesalers who operate from a truck, supplying convenience stores with snack foods and drinks on a regular basis.

Vertical Marketing System

A **Vertical Marketing system (VMS)** comprises of the main distribution channel partners- the producer, the wholesaler and the retailer who work together as a unified group to serve the customer needs.

1. **Corporate Vertical Marketing System**– In Corporate VMS, one member of the distribution channel be it a producer, a wholesaler or a retailer **Owns all the other Members of the Channel,** thereby having all the elements of production and distribution channel under a single ownership.

For example,: Amway is an American cosmetic company, which manufactures its own product range and sell these products only through its authorized Amway stores. Here the ownership of production and distribution is with the company itself.

2. **Contractual Vertical Marketing System**– In Contractual VMS, every member in the distribution channel works independently and integrate their activities on a **Contractual Basis** to earn more profits that are earned when working in isolation.

The most common form of Contractual VMS is **Franchising.** In franchising, the producer authorizes the distributor to sell its product under the producer's name against some annual license fee. **For example,** Mc-Donalds, Dominos, Pizza Hut, etc. are all forms of the franchise which are working on a contractual basis.

3. **Administered Vertical Marketing System**– Under Administered VMS, there is no contract between the members of production & distribution channel but their activities do get influenced by the **Size and Power** of any one of the member. In simple words, any powerful and influential member of the channel dominate the activities of other channel members.

For example, Big brands like HUL, ITC, Procter& Gamble, etc. command a high level of cooperation from the retailers in terms of display, shelf space, pricing policies, and promotional schemes.

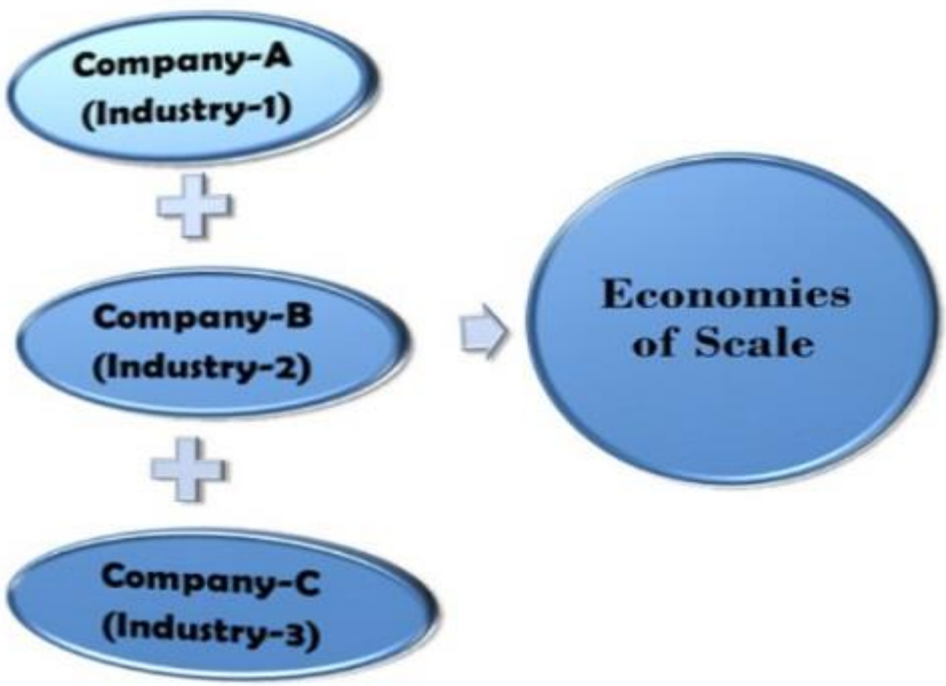
Horizontal Marketing System

A **Horizontal Marketing system** is a form of distribution channel wherein two or more companies at the same level unrelated to each other come together to gain the economies of scale.

Generally, this type of marketing system is followed by companies who lack in capital, human resources, production techniques, marketing programs and are afraid of incurring the huge losses.

In this marketing system, the collaboration can be between:

- Two or more Manufacturers- With an objective of making optimum utilization of scarce resources.
- Two or more Wholesalers-With the objective of covering a larger area of the distribution of goods and services.
- Two or more Retailers- With the objective of providing bulk quantities in a particular area.



Channel Conflict Management

The **Channel Conflict** arises when the channel partners such as manufacturer, wholesaler, distributor, retailer, etc. compete against each other for the common sale with the same brand.

Types of Channel conflict

1. **Vertical Channel Conflict**: This type of conflict arises between the different levels in the same channel.

E.g. The conflict between the manufacturer and the wholesaler regarding price, quantity, marketing activities, etc.

2. **Horizontal Channel Conflict**: This type of conflict arises between the same level in the same channel.

E.g. The conflict between two retailers of the same manufacturer faces disparity in terms of sales target, area coverage, promotional schemes, etc.

3. **Multichannel Conflict**: This type of conflict arises between the different market channels participating in the common sale for the same brand.

E.g. If a manufacturer uses two market channels, first is the official website through which the products and services are sold. The second channel is the traditional channel i.e. through wholesaler and retailer. If the product is available at a much lower price on a website than is available with the retailer, the multichannel conflict arises.

Promotion Mix

The **Promotion Mix** refers to the blend of several promotional tools used by the business to create, maintain and increase the demand for goods and services.

The fourth element of the 4 P’s of Marketing Mix is the promotion; that focuses on creating the awareness and persuading the customers to initiate the purchase.

1. **Advertising:** The advertising is any **paid form** of **non-personal presentation** and promotion of goods and services by the identified sponsor in the exchange of a fee. Through advertising, the marketer tries to build a **pull strategy**; wherein the customer is instigated to try the product at least once.The complete information along with the **attractive graphics** of the product or service can be shown to the customers that grab their attention and influences the purchase decision.
2. **Personal Selling:** This is one of the **traditional forms** of promotional tool wherein the salesman interacts with the **customer directly** by visiting them. It is a **face to face interaction** between the company representative and the customer with the objective to influence the customer to purchase the product or services.
3. **Sales Promotion:** The sales promotion is the **short term incentives** given to the customers to have an increased sale for a given period. Generally, the sales promotion schemes are floated in the market at the time of festivals or the end of the season. Discounts, Coupons, Payback offers, Freebies, etc. are some of the sales promotion schemes. With the sales promotion, the company focuses on the increased short-term profits, by attracting both the existing and the new customers.
4. **Public Relations:** The marketers try to build a favourable image in the market by creating **relations with the general public**. The companies carry out several public relations campaigns with the objective to have a support of all the people associated with it either directly or indirectly. The public comprises of the customers, employees, suppliers, distributors, shareholders, government and the society as a whole. The publicity is one of the form of public

relations that the company may use with the intention to bring newsworthy information to the public.

5. **Direct Marketing:** With the intent of technology, companies reach customers directly **without any intermediaries** or any paid medium. The e-mails, text messages, Fax, are some of the tools of direct marketing. The companies can send emails and messages to the customers if they need to be informed about the new offerings or the sales promotion schemes.

The management must consider the following factors in determining the promotion mix, these are:

1. Nature of Product
2. Nature of Market
3. Stage of Product's life
4. Availability of Funds
5. Nature of Technique
6. Promotional Strategy
7. Readiness of Buyer.

Kinds of Promotion

1. **Informative Promotion:** The primary objective of every promotional activity is to disseminate information about the product, product line, brand, and the company. The informative promotion is **prevalent at every stage of product life cycle** and is an essential ingredient for **creating the primary demand**. The marketers adopt this promotion strategy to convince customers to try a product at least once. It is based on the notion that the customer will purchase the product only if he has the adequate information about it.
2. **Persuasive Promotion:** The persuasive promotion is prevalent at the **growth stage of a product** where the primary objective of the management is to **persuade people to buy**. The basic purpose of this promotion strategy is to stimulate purchase and create a positive image of the product in the minds of customers in order to influence their long-term behaviors. Many firms do not adopt this kind of promotion as it involves high-pressure selling.
3. **Reminder Promotion:** The reminder promotion is often adopted at the stage when a **product reaches its maturity**. The purpose of such promotion is to **keep the product alive in the minds** of the customers. Here, the firm emphasizes on the product's utility, features, brand names with the intent to make customers remind the product. This promotion strategy acts as a

“memory jogger” that enables the customers to remember the product and influences their long-term buying behaviour.

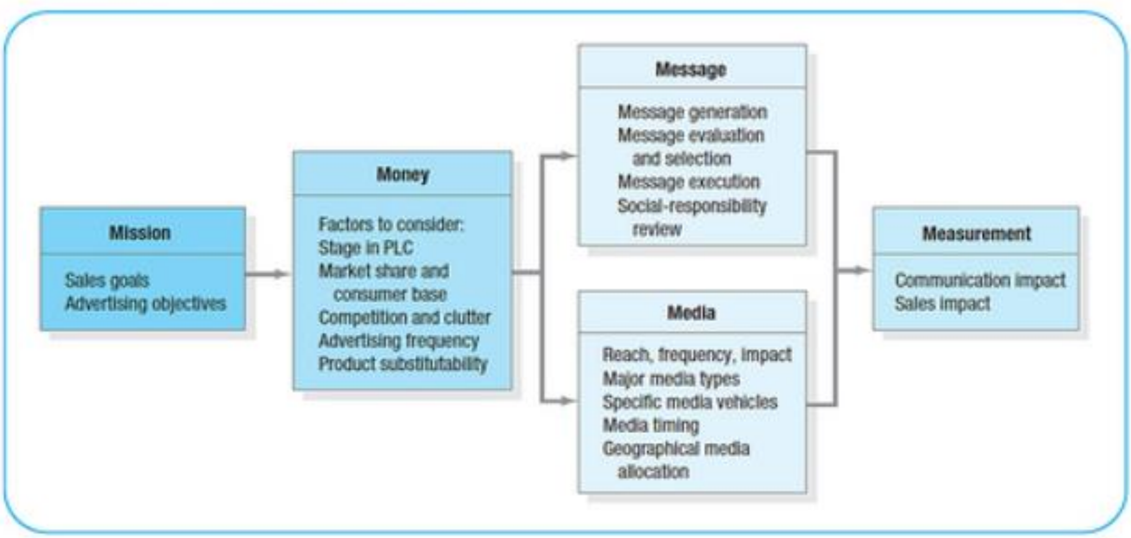
4. **Buyer behaviour Modifications:** The effect of promotional strategies could be accessed through the modifications in the consumer behaviour. The **constant personal selling and repeated advertisements** could be used to measure the effectiveness of such promotional schemes.

ADVERTISING

Littlefield defines it as “Advertising is mass communication of information intended to persuade buyers as to maximize profits.”

American Marketing Association defines advertising as any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor”.

THE 5 M’S OF ADVERTISING



Types of Advertising:

The following are the important types of advertising:

1. Brand Advertising:

This type of advertisements are done to build brands and develop unique brand identity for the firm. This is the most popular form of advertising in all possible media including TV: for examples, Pepsi, Coke etc.

2. National Advertising:

These advertisements are uniform across the nation and are released through national media covering the nation.

3. Local Advertising:

These advertisements are carried out in local and vernacular media to promote the product in a local region.

4. Retail Advertising:

These advertisements are brought to promote retail outlets and dealer points.

5. Political Advertising:

These are done for political parties, politicians and individual candidates during elections.

6. Social Advertising:

These advertisements are brought out for a social cause like against AIDS, child-labour, women trafficking.

7. Directory Advertising:

These are the advertisements done in directories and yellow pages and followed by people while collecting a telephone number or a home address.

8. Business-to-Business Advertising:

These kinds of advertisements are carried out targeting business and organizational marketers. These messages are directed towards retailers, wholesalers and distributors.

9. Institutional Advertising:

Institutions like colleges, universities, missionary of charities and large corporates bring out these advertisements. The purpose of such advertising is to create a positive goodwill, which will ultimately contribute towards achieving to overall marketing and brand building goal of the organization.

10. In Film Advertising:

These are new forms of advertising in which brands are placed inside the film and actors are shown using these products during the movie for increasing the usage among the audience.

11. Electronic Advertising:

These forms of advertising use electronic media like, TV, radio, video, audio-cassettes, etc.

12. Interactive Advertising:

These are typical internet based advertisements, which are delivered to individual consumers who have access to the World Wide Web.

Kinds of Advertising:

The important classifications of advertising are: Product and Institutional.

1. Product Advertising:

It aims at selling a particular product: This is the common way. A particular product with its brand is promoted through advertising. For example, Horlicks, Hamam, Bournvita, Viva etc. This type is again divided into primary and selective.

(a) Primary Advertising (pioneer):

This is a type of advertising used at the stage of introducing a new product to the market with the aim to inform the public as to its birth and other details. For example, pressure cookers, bicycles, scooters etc.

(b) Selective Advertising:

This type of advertising is used when the market is loaded with similar products. There will be stiff competition among the producers. This generally happens in the growing stage of a product's life cycle. Since competition is there, the advertisers aim to capture the market by influencing the demand for a specific product, probably supported by promotion activities. This type is also known as competitive advertising. For example, prestige pressure cookers, HMT watches, rallie cycle, Rajdoot bike etc.

2. Institutional Advertising:

This type of advertisement is displayed to create a goodwill for the firm rather than to sell its products. Its aim is to make people, members of the advertiser's firm. It gives importance to the firm and wants to create a good impression about a particular manufacturer or a shopkeeper. For example, Parry and Co; Godrej, etc.

This may further be divided into three:

(a) In Patronage:

In it, consumers are informed about the firm, its product and policies.

(b) Public Relations:

It tries to create a favourable image about the firm, during strike periods etc.

(c) Public Service:

Here, the advertiser tries to create an image on public support, social services etc.

3. Commercial Advertising:

Commercial advertising or business advertising is concerned with selling products or ideas to increase the sales volume. They may be:

Trade advertising – relating to trade

Industrial advertising – relating to Industrial goods

Professional advertising – relating to professions (Doctor, Accountant etc.)

Farm advertising – relating to farm products

4. Non-Commercial Advertising:

Non-profit organisations adopt this type of advertisement; for instance, inviting donations, financial aid etc.

5. Rational and Emotional Advertising:

If the advertising explains the specialty of a product, such as use the B.K. Soap, Kumari powder etc., it is a case of rational type. When publicity is made to effect a lady look like a cinema star, associated with a charming beauty, it is a case of emotional type.

6. National and Local Advertising:

When advertising is sponsored by manufacturers or producers, it is a case of national (general) advertising. When the advertising is done by retailers, it is a case of local (retail) advertising.

Sales Promotion

- Sales promotion is a type of Pull marketing technique.
- If a firm introduces a product which is new in the market or which is not receiving a lot of attention, then it promote this product to customers via sales promotions.
- When a brand wants to increase the sales of its products, it uses Sales promotion. The brand can increase the sales by attracting new customers to their products or by retaining the old customers by various means.

- ❖ The company can also motivate the dealers and distributors of their channel to perform better for their brand, and to get their stock moving.

There are **two types of Sales promotions**

a) Consumer sales promotions

Any sales promotion activity that you do keeping the end consumer in mind is known as consumer sales promotions. Example – if an E-commerce website gives 10% discount on its products, then it wants the consumers to make the best of this deal. This is a consumer focused promotional activity and hence can be called as consumer sales promotions.

b) Trade Sales promotions

If promotional activities are focused on Dealers, distributors or agents, then it is known as trade promotions. There is a lot of competition in any field. And in channel sales, to get the products moving and to motivate the dealer to perform better, trade discounts are given.

Example – You are a dealer for Televisions. Now Sony comes and tells you, you will be given 5% discount if you cross a sale of 100 televisions. Naturally, you will be very motivated because 5% in television sales is huge. Plus selling Sony TV's is easy because it is already a brand. Thus, you divert all potential customers to Sony Televisions so that you can achieve the target.

Types of Sales promotions – Sales promotion techniques.

1. **Discounts** – Trade / consumer -Is the most common type of sales promotions is consumer discounts or trade discounts.. Be it E-commerce stores, retail stores or anything else.

If there is a 10% discount on the product for the consumer, then it is known as consumer discount. However, if there is a 10% discount to the dealer when he is purchasing from the company, it is known as trade discount.

2. **Gifting**-One of the most common ways to promote stores during festival time or when there is a huge walk in expected is Gifting. It is also a way to increase the sales of the products because customers have an anticipation that they might win a gift from the store.

3. **Coupons**-Quite commonly used to motivate people to purchase when they think the price is high or it can be incentive to buy your product above the competitors. Domino's, Pizza hut and McDonalds very prominently use coupons in their marketing. If you have their coupon in hand, you get a discount of X amount on the purchase.

4. **Financing**-Financing is ingenious amongst the various types of sales promotions. It is a combination of various factors. Companies which have huge resources generally act as Financers. They allow customers to purchase a product on EMI or on different financing options. All this happens for a minor processing fee and less interest.

5. **Sampling-** It is predominantly used in the FMCG industry for perfumes, deodorants, soaps or even eatables. Sampling is an excellent way to introduce your product in the market and at the same time to increase the awareness of the product.

6. **Bundling-** is when you put a combination of products on sale for the same price. So, for example, normally 1000 Rs might buy you just a shirt. However, with product bundling, 1000 Rs might buy you a set of shirt and pants. As a result, the consumer is much more likely to buy this bundled offer as compared to a single offer.We see bundling strongly in retail where a shampoo might be bundled with a soap or we can see a bundled combinations of many different items.

7. **Contests-** Contests can be as simple as winning a gift through a scratch card, or it can be an in house game in a retail showroom or it can be an online contest for which users have to enter their information. Due to the phenomenal rise of the internet, online contests have become very easy and important. They also penetrate faster and reach a lot of customers.

8. **Refunds & Rebates-** As the name suggests, refunds are a marketing tactic when you get a partial amount refunded to you based on an action you have taken. For example – if you bring the parking ticket to the showroom, your parking amount will be refunded by the store. Such refunds make the customer excited to visit a store.

Similarly, rebate is a type of partial refund which is most popular in the United states, though not much popular in other countries. In rebates, you fill forms while checking out of stores. And if you have won the rebate, you will have to mail your details to the company and the company will refund you the rebate amount in your bank or via a paypal account.

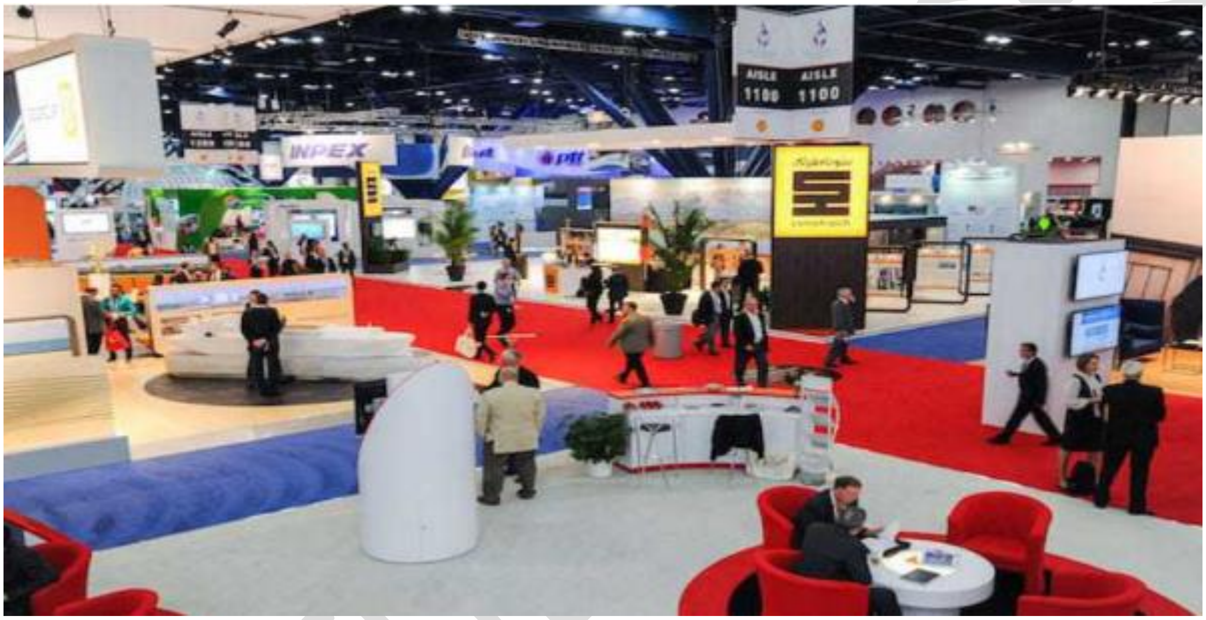
9. **Exchange offers-**Exchange offers are quite commonly used all across the world and used strongly in festive season when sales will be more and people are in a purchasing mood. In exchange offer, you can exchange an old product for a new product.

10. **Free trial**- Chances are, you have come across several software's or online programs which offer a free trial to you before you purchase the product. Shareware programs are also a kind of free trial programs where you can use the product for some time but later on have to purchase the product to use it completely.

11. **Email Marketing-**Email marketing was, is and is touted to always be one of the best ways to promote your business. It is one of the most commonly used types of sales promotions across the world because of its ease of implementation and because of its penetration. Each and

every one of us has an email account which we access regularly. Thus, an Email is personal to us when received in our phone and we are bound to check it out.

12. Exhibitions-More commonly used in Food, Jewellery, Clothing, Chemicals and similar such industries where sellers want to showcase the products they have to their buyers. These buyers might be consumers or they may be industrial buyers. An exhibition generally consists of one player who is exhibiting his goods. However, it can also be a combination of players who are all there to showcase their wares.



13. Trade Shows-While exhibitions are targeted towards individual buyers, Trade shows are targeted towards resellers, dealers, distributors and bulk buyers. A trade show is typically a display point for all top companies within an industry. These companies are there to compete and grab the maximum eyeballs of retailers, dealers and distributors**.**

14. **Quantity Discount**-The more quantity of the product you buy, the more is the discount. So for example, a single soap may cost $1 but a combined package of 5 units of soap might cost you $4, giving you a 20% discount on the purchase. Such type of quantity discount is common for customers.

PUSH AND PULL MARKETING

What is Push Marketing?

- Push marketing is a promotional strategy where businesses attempt to take their products to the customers.
- The term push stems from the idea that marketers are attempting to push their products at consumers.
- Common sales tactics include trying to sell merchandise directly to customers via company showrooms and negotiating with retailers to sell their products for them, or set up point-of-sale displays.
- Often, these retailers will receive special sales incentives in exchange for this increased visibility.
- Businesses often use push marketing when launching a new product, or when trying to stand out in a niche or crowded market.

Example of Push Marketing

One common example of push marketing can be seen in department stores that sell fragrance lines. The manufacturing brand of the fragrance will often offer sales incentives to the department stores for pushing its products onto customers.

What is Pull Marketing?

- The goal of pull marketing is to get the customers to come to you, hence the term pull, where marketers are attempting to pull customers in.
- Common sales tactics used for pull marketing include mass media promotions, word-of-mouth referrals and advertised sales promotions.
- From a business perspective, pull marketing attempts to create brand loyalty and keep customers coming back, whereas push marketing is more concerned with short-term sales.
- Pull marketing starts at the product design phase as you survey your target market to learn the features they want and then create a product geared toward meeting their needs.

Consumer Behaviour:

Consumer buying behaviour is the sum total of a consumer's attitudes, preferences, intentions, and decisions regarding the consumer’s behaviour in the marketplace when purchasing a product or service.

According to Walter – "Consumer behaviour is the process where by individual decides what, where, when, how, from whom to purchase the goods and services."

According to Webster – "Consumer behaviour is the psychological, social & physical behavior or potential customer as they become aware of evaluation, purchase, consume and tell others about product and services.

Consumer – A consumer is a person who evaluates, uses and disposes a good or service to satisfy a need.

Customer – Customer is the person, who actually purchases the product.

Consumers can be divided into two types –

1. **Household consumers –** Who buy products for their own consumption.
2. **Industrial consumers** – Who buy products for further value addition, as inputs for manufacturing or for retailing.

Nature of Consumer behaviour:

- It is complex as each customer has a unique set of needs
- It is dynamic in nature, human behaviour is constantly altered by its environment
- It varies from consumer to consumer, product to product and from country to country
- It is influenced by various cultural, social, personal and psychological factors
- The buying behaviour and pattern of an individual reflects his/her status in the society

Elements/ Aspects of Consumer behaviour

The core of consumer behaviour is to answer the questions related to the following aspects:

• Who buys? i.e. Who makes the purchase decision? Who does the actual buying? What does he actually buy?

• When does a consumer buy? Season, festival, event, holidays, Day of the week, Time of the day, Buying frequency?

• How does a consumer buy? Buying habits of the consumer, Level of Involvement, Selection criteria, market trends

• Where does he buy from? Buying Convenience? Buying experience? Situational factors affecting purchase decision

• Why does he buy? Buying motives of the Customer, Customer needs and expectations, User taste and preferences

Scope of Consumer behaviour

The scope of Consumer behaviour lies in:

- Demand Forecasting – Estimating the demand for products and services
- Marketing – Understanding the needs, expectations, problems of consumers, Formulating Marketing Mix Strategies
- Advertising – Understanding human behaviour towards different advertising appeals and message, selecting the type of media
- Human Behaviour – Understanding the various motives that influence behavior of a consumer
- Operations – Formulating production, pricing and distribution policies

Factors Influencing Consumer Behaviour:

The marketers try to understand the actions of the consumers in the marketplace and the underlying motives for such actions. These motives are the factors that influence the consumer behaviour. These are:

1. **Psychological Factors:** The human psychology plays a crucial role in designing the consumer's preferences and likes or dislikes for a particular product and services. Some of the important psychological factors are:

- Motivation
- Perception
- Learning
- Attitudes and Beliefs

2. **Social Factors:** The human beings live in a complex social environment wherein they are surrounded by several people who have different buying behaviors. Since the man is a social animal who likes to be acceptable by all tries to imitate the behaviors that are socially acceptable. Hence, the social factors influence the buying behavior of an individual to a great extent. Some of the social factors are:

- Family
- Reference Groups
- Roles and status

3. **Cultural Factors:** It is believed that an individual learns the set of values, perceptions, behaviors, and preferences at a very early stage of his childhood from the people especially, the family and the other key institutions which were around during his developmental stage. Thus, the behavioral patterns are developed from the culture where he or she is brought up. Several cultural factors are:

- Culture
- Subculture
- Social Class

4. **Personal Factors:** There are several factors personal to the individuals that influence their buying decisions. Some of them are:

- Age
- Income
- Occupation
- Lifestyle

5. **Economic Factors:** The last but not the least is the economic factors which have a significant influence on the buying decision of an individual. These are:

- Personal Income
- Family Income
- Income Expectations
- Consumer Credit
- Liquid Assets of the Consumer
- Savings

These are some of the underlying factors that influence the consumer behavior, and the marketer must keep these in mind, so that appropriate strategic marketing decision is made.

Stages of consumer buying decision process

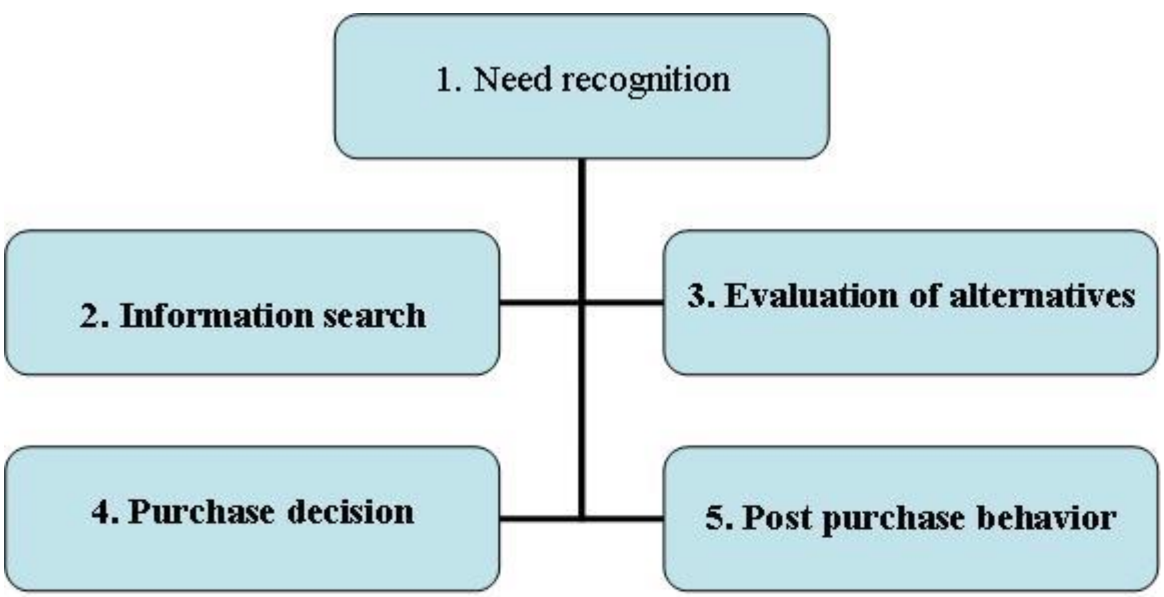
The marketer is responsible for selling the goods in the market so he must have the knowledge how the consumers actually make their buying decisions. For this he must study the consumer buying decision process or model. It involves five stages.

1.) Need recognition: - consumer buying decision process starts with need recognition. The marketer must recognize the needs of the consumer as well as how these needs can be satisfied. For example if a person is hungry then food is desired or if it is a matter of thirst than water is desirable.

2.) Information search: – in consumer buying decision process information search comes at second number. In this stage consumer searches the information about the product either from family, friends, neighborhood, advertisements, whole seller, retailers, dealers, or by examining or using the product.

3.) Evaluation of alternatives: – after getting the required knowledge about the product the consumer evaluate the various alternatives on the basis of it's want satisfying power, quality and it's features.

4.) Purchase decision: – after evaluating the alternatives the buyer buys the suitable product. But there are also the chances to postpone the purchase decision due to some reasons. In that case the marketer must try to find out the reasons and try to remove them either by providing sufficient information to the consumers or by giving them guarantee regarding the product to the consumer.



5.) Post purchase behavior: – after buying the product consumer will either be satisfied or dissatisfied. If the consumer is not satisfied in that case he will be disappointed otherwise If he is satisfied than he will be delighted. It is usually said that a satisfy consumer tell about the product to 3 people and a dissatisfy consumer tell about the product to 11 people. Therefore it is the duty of the marketer to satisfy the consumer.

SERVICE MARKETING

Meaning of services:

Any **activity or performance** that one party can offer to another that is essentially **intangible** and does not result in the **ownership of anything**. **Its production may or may not be tied to a physical product.**

The American Marketing Association defines services as - "Activities, benefits and satisfactions which are offered for sale or are provided in connection with the sale of goods."

The Defining characteristics of a service are:

1. Intangibility:

- Services are intangible and do not have a physical existence. Hence services cannot be touched, held, tasted or smelt.

▪ This is most defining feature of a service and that which primarily differentiates it from a product.
▪ Also, it poses a unique challenge to those engaged in marketing a service as they need to attach tangible attributes to an otherwise intangible offering.

2. Heterogeneity/Variability:

▪ Given the very nature of services, each service offering is unique and cannot be exactly repeated even by the same service provider.
▪ While products can be mass produced and be homogenous the same is not true of services. eg: All burgers of a particular flavor at McDonalds are almost identical.
▪ However, the same is not true of the service rendered by the same counter staff consecutively to two customers.

3. Perishability:

▪ Services cannot be stored, saved, returned or resold once they have been used.
▪ Once rendered to a customer the service is completely consumed and cannot be delivered to another customer.
▪ eg: A customer dissatisfied with the services of a barber cannot return the service of the haircut that was rendered to him.

4. Inseparability/Simultaneity of production and consumption:

▪ This refers to the fact that services are generated and consumed within the same time frame.
▪ Eg: a haircut is delivered to and consumed by a customer simultaneously unlike, say, a takeaway burger which the customer may consume even after a few hours of purchase.
▪ Moreover, it is very difficult to separate a service from the service provider.

Types of Services

1. **Core Services:** A service that is the primary purpose of the transaction. Eg: a haircut or the services of lawyer or teacher.
2. **Supplementary Services:** Services that are rendered as a corollary to the sale of a tangible product. Eg: Home delivery options offered by restaurants above a minimum bill value.

Difference between Goods and Services

Goods	Services
A physical commodity	A process or activity
Tangible	Intangible
Homogenous	Heterogeneous
Production and distribution are separation from their consumption	Production, distribution and consumption are simultaneous processes
Can be stored	Cannot be stored
Transfer of ownership is possible	Transfer of ownership is not possible

The service marketing mix is also different from marketing mix of tangible products. It isn't limited to the 4 ps. A service requires people to perform the tasks which becomes the 5th P. Physical evidence is the 6th P, and the process of the service is the 7th P of the service marketing mix.

Service triangle or The service marketing triangle:

The service marketing triangle or the Service triangle as it is commonly called, underlines the relationships between the various providers of services, and the customers who consume these services.

The **services marketing triangle** was created to handle the complexity that service marketers face when dealing with intangible products. The service marketing triangle highlights three key players, these are;

- **Company**: The management of a company, including full-time marketers and sales personnel. This is enabled through continuous development and internal marketing with their employees.
- **Employees:** This includes anyone that is working within close contact of the consumer. They play an integral role within the interactive marketing of service marketing.
- **Customers**: Anyone that purchases the service of a company. They are also heavily exposed to the external marketing of a firm.

For marketing to be successful, a marketer should ensure that there is positive interaction between these three players. Furthermore, for this success to be accomplished, three types of marketing must be conducted. These are;

- **External Marketing** – Making Promises: Involves communication by a company towards their consumer. This form of communication allows the company to offer their services, and set the expectation of service quality that the client can expect. In service marketing this pays particular attention to physical evidence, such as the appearance of the place of business or appearance of staff.

- **Interactive Marketing** – Keeping Promises: Interactive marketing is revolved around the communication that occurs between the client and the service delivery personnel. This is one of the most important parts of successfully utilising the services marketing triangle, as it is the only time that the client will have face-to-face experience with the company, via the providers.
- **Internal Marketing** – Enabling Promises: A more modern addition to the services marketing triangle, internal marketing centres on training employees to the highest standards so they can deliver exceptional service. Without internal marketing, there is a high chance that the client will receive sub-standard service.

The SERVQUAL Model

The SERVQUAL Model is an empiric model by Zeithaml, Parasuraman and Berry to compare service quality performance with customer service quality needs.

- It is used to do a gap analysis of an organization's service quality performance against the service quality needs of its customers.
- That's why it's also called the **GAP model.**
- It takes into account the perceptions of customers of the relative importance of service attributes. This allows an organization to prioritize.

There are five core components of service quality:

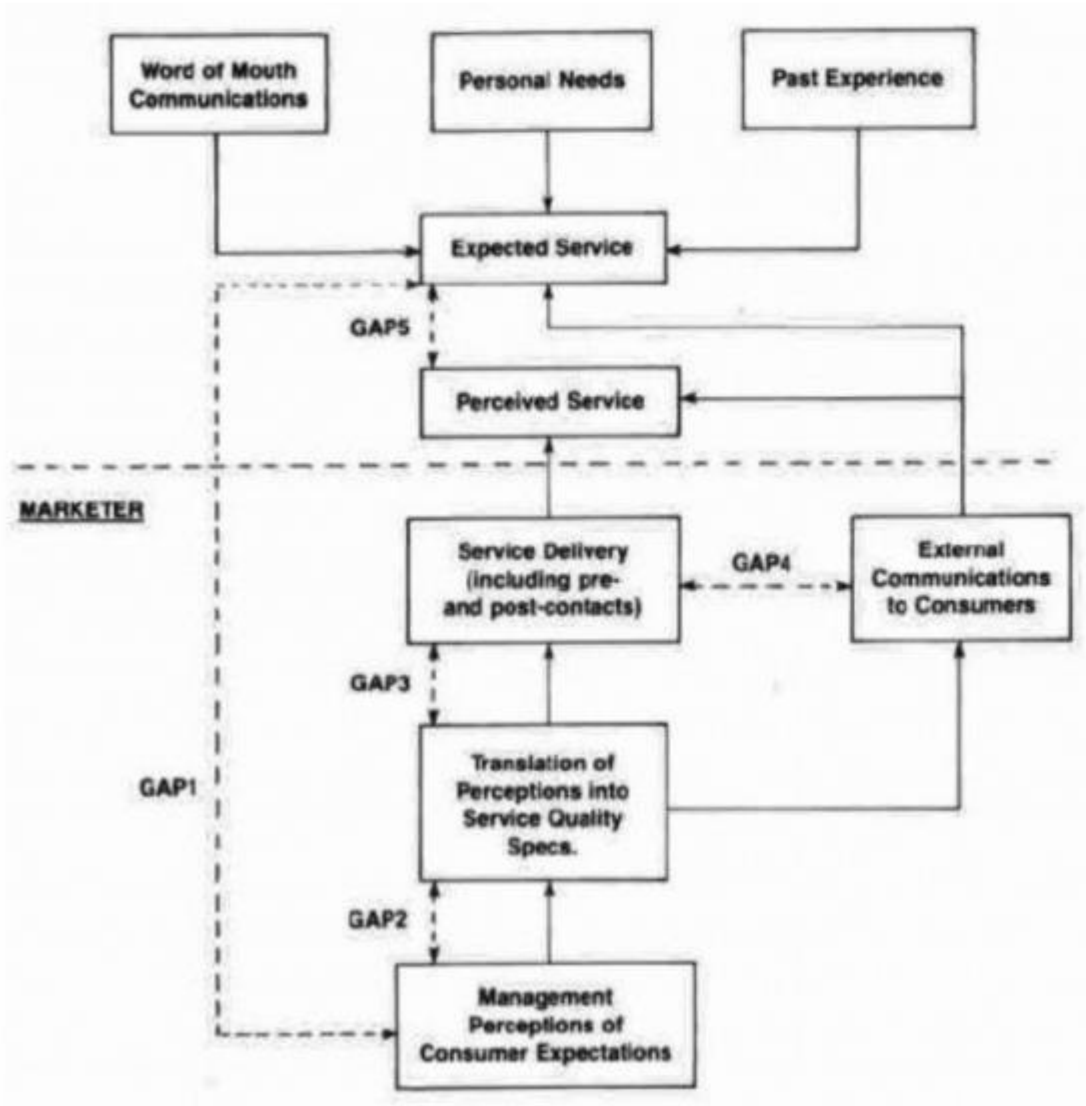
1. **Tangibles** – physical facilities, equipment, staff appearance, etc.

2. **Reliability** – ability to perform service dependably and accurately.

3. **Responsiveness** – willingness to help and respond to customer need.

4. **Assurance** – ability of staff to inspire confidence and trust.

5. **Empathy** – the extent to which caring individualized service is given.



The four themes that were identified by the SERVQUAL developers were numbered and labelled as:

1. **Consumer expectation – management perception gap (Gap 1)**: Management may have inaccurate perceptions of what consumers (actually) expect. The reason for this gap is lack of proper market/customer focus. The presence of a marketing department does not automatically guarantee market focus. It requires the appropriate management processes, market analysis tools and attitude.

2. **Service quality specification gap (Gap 2):** There may be an inability on the part of the management to translate customer expectations into service quality specifications. This gap relates to aspects of service design.

3. **Service delivery gap (Gap 3):** Guidelines for service delivery do not guarantee high-quality service delivery or performance. There are several reasons for this. These include:

lack of sufficient support for the frontline staff, process problems, or frontline/contact staff performance variability.

4. **External communication gap (Gap 4):** Consumer expectations are fashioned by the external communications of an organization. A realistic expectation will normally promote a more positive perception of service quality. A service organization must ensure that its marketing and promotion material accurately describes the service offering and the way it is delivered.

5. **These four gaps cause a fifth gap (Gap 5)**, which is the difference between customer expectations and perceptions of the service actually received Perceived quality of service depends on the size and direction of Gap 5, which in turn depends on the nature of the gaps associated with marketing, design and delivery of services.

So **Gap 5** is the product of gaps 1, 2, 3 and 4. If these four gaps, all of which are located below the line that separates the customer from the company, are closed then gap 5 will close.

Trends in marketing:

- **Social marketing:** is the systematic application of marketing, along with other concepts and techniques, to achieve specific behavioral goals for a social good. Social marketing can be applied to promote merit goods, or to make a society avoid demerit goods and thus to promote society's wellbeing as a whole. For example, this may include asking people not to smoke in public areas, asking them to use seat belts, or prompting to make them follow speed limits.

- Social marketing was "born" as a discipline in the 1970s, when Philip Kotler and Gerald Zaltman realized that the same marketing principles that were being used to sell products to consumers could be used to "sell" ideas, attitudes and behaviours. Kotler and Andreasen define social marketing as "differing from other areas of marketing only with respect to the objectives of the marketer and his or her organization. Social marketing seeks to influence social behaviours not to benefit the marketer, but to benefit the target audience and the general society."

- **Green Marketing:** According to the **American Marketing Association**, **green marketing** is the marketing of products that are presumed to be environmentally safe. Thus green marketing incorporates a broad range of activities, including product modification, changes to the production process, packaging changes, as well as modifying advertising. Green marketing refers to the process of selling products and/or services based on their environmental benefits. Such a product or service may be environmentally friendly in itself or produced and/or packaged in an environmentally friendly way.

According to Peattie, the evolution of green marketing has three phases such as:

- **First phase** "Ecological" green marketing, in which, all marketing activities were concerned to help environment problems and provide remedies for it.

- **Second phase** "Environmental" green marketing -the focus shifted on clean technology that involved designing of innovative new products, which take care of pollution and waste issues.

- **Third phase** was "Sustainable" green marketing. It came into prominence in the late 1990s and early 2000.

Under the green marketing concept, a company's marketing should support the best long run performance of the marketing system. It should be guided by **five sustainable marketing principles:**

- Consumer oriented marketing,
- Customer value marketing,
- Innovative marketing,
- Sense of mission marketing

Societal marketing.

Additional Social Marketing "P's"

- **Publics**--Social marketers often have many different audiences that their program has to address in order to be successful. "Publics" refers to both the external and internal groups involved in the program. External publics include the target audience, secondary audiences, policymakers, and gatekeepers, while the internal publics are those who are involved in some way with either approval or implementation of the program.
- **Partnership**--Social and health issues are often so complex that one agency can't make a dent by itself. You need to team up with other organizations in the community to really be effective. You need to figure out which organizations have similar goals to yours--not necessarily the same goals--and identify ways you can work together.
- **Policy**--Social marketing programs can do well in motivating individual behavior change, but that is difficult to sustain unless the environment they're in supports that change for the long run. Often, policy change is needed, and media advocacy programs can be an effective complement to a social marketing program.
- **Purse Strings**--Most organizations that develop social marketing programs operate through funds provided by sources such as foundations, governmental grants or donations. This adds another dimension to the strategy development-namely, where will you get the money to create your program?

- **Rural Marketing:** Rural marketing simply means marketing in the rural areas. Often, **rural marketing is confused with agricultural marketing** - the latter denotes marketing of produce of the rural areas to the urban consumers or industrial consumers, whereas rural marketing involves delivering manufactured or processed inputs or services to rural producers or consumers.

Rural marketing broadly involves reaching rural customers, estimating their needs and wants and then supplying goods and services to meet these requirements. This could mean carrying out after sales service that leads to customer satisfaction and repeat sales.

There are different types of rural markets. They are Regular periodic markets, seasonal markets and daily markets.

- In Regular periodic markets, the rural people gather once or twice a week on a fixed day to exchange or sell their produce or buy necessities.
- The seasonal markets are those markets which specialize in few crops like onion, bananas etc.
- The daily markets are permanent with continuous trading activity.

Characteristics of Rural Marketing:

1. Large, diverse and scattered market:-Rural marketing in India is large, and scattered into a number of regions. There may be less number of shops available to market products.

2. Major income of rural consumers is from agriculture:-Rural prosperity is tied with agriculture prosperity. In the event of crop failure, the incomes of masses is directly affected.

3. Traditional outlook:- Villages develop slowly and have a traditional outlook. Change is a continuous process but rural people accept change gradually. This is gradually changing due to literacy especially in the youth who have begun to change the outlook in the villages.

4. Standard of living and rising disposable income of the rural customers:-It is known that majority of the rural population lives below poverty line and has low literacy rate, low savings etc. Today the rural customers spends money to get value and is aware of the happening around him.

5. Rising literary levels: - It is documented that approximately 45% of rural Indians are literate. Hence awareness has increase and the formats are well informed about the world around them. They are also educating themselves on the new technology for a better life style.

6. Diverse Socio-economic background: - Due to differences in geographical areas and uneven land fertility, rural people have different socio economic background, which ultimately affects the rural markets.

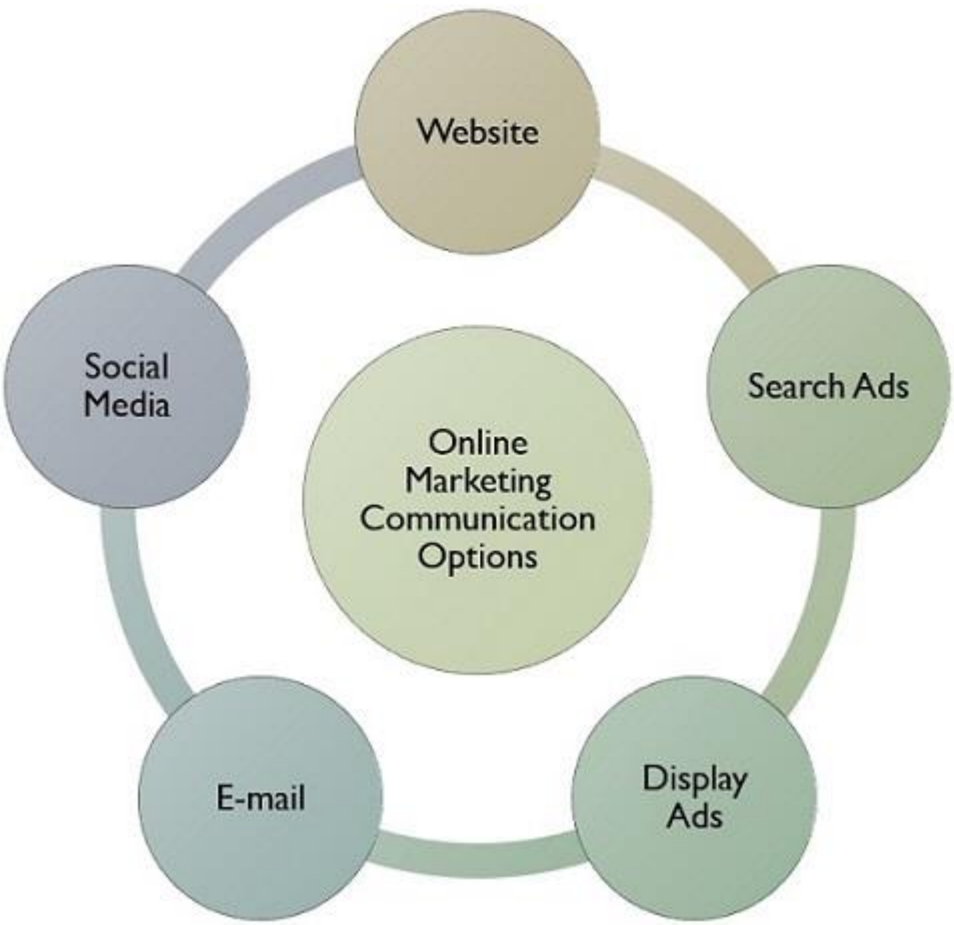
7. Infrastructure facilities:-The infrastructure facilities like warehouses, communications systems and financial facilities (or) inadequate in rural areas physical distribution is a challenge to marketers who has found innovative ways to market their products.

ONLINE MARKETING

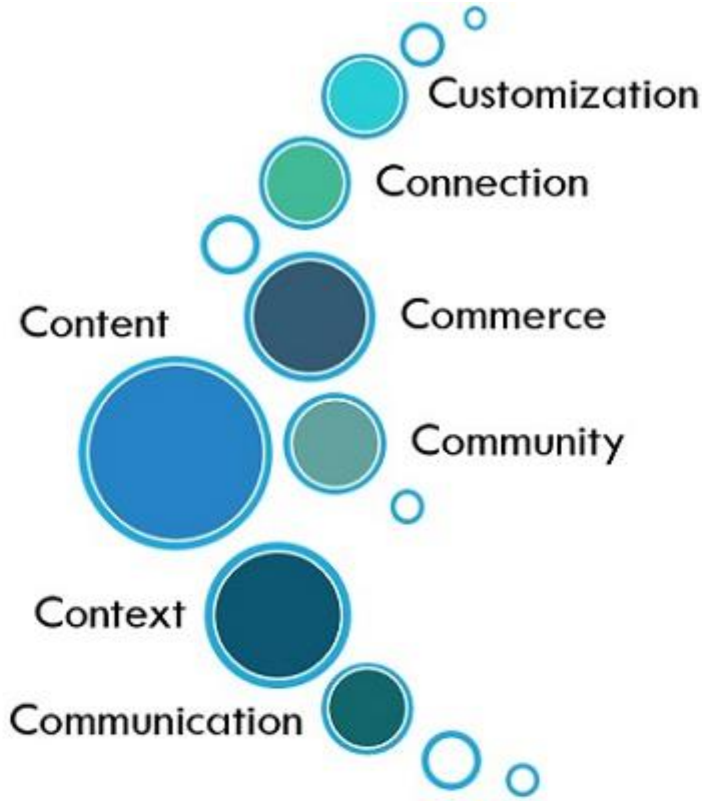
Online marketing is a method that uses the internet to promote or transmit a message about a company's product and services to the potential buyers or target audience.

It is also known as ***digital marketing***, ***web marketing***, ***online marketing***,***search marketing*** *or* ***emarketing***, *is referred to as* the marketing (generally promotion) of products or services over the Internet. iMarketing is used as an abbreviated form for Internet Marketing.

Online Marketing Communication Options:



- **Website**: A company must design its website that considers its purpose, products, services, mission and vision. A website should look interesting to view to encourage multiple visits. A website must have the following 7Cs in order to be competent:



- **Content**: It can have graphics, sound, text and video.
- **Context**: It means the layout and design of a website.
- **Customization**: It refers to the site's ability to provide results according to the customer's requirements.
- **Communication**: It should establish two-way communication with the user.
- **Community**: It facilitates user to user communication.
- **Connection**: The extent to which one site provides links to the other sites.
- **Commerce**: A site should assist in commercial transactions as well.

NOTE: There are certain parameters on the basis of which the visitors can observe the performance of the website. These parameters are: how much user-friendly a site is? And how much attractive it is?

➢ A site's user-friendliness can be ascertained by landing page, navigation to other pages, downloading capability.

➢ On the other hand, physical attractiveness is determined by viewability, readability, colours used and so forth.

- **Search Ads**: Pay-per-click ads is the most important element of the Search Ads.When a visitor searches any term on the search engine, the ad of the marketers appear either on the top of the results or next to it, on the basis of the bidding by the marketer and the search engine's algorithm, to identify its significance with respect to the keyword searched. Only when the visitor clicks on the ads, advertisers pay for it.

Search Engine Optimization (SEO) entails the activities that improve the probability that a particular link will appear in the top among all the non-paid links when the visitor searches for a particular keyword.

- **Display Ads**: Display ads or otherwise called as banner ads are the one that appears in a tiny rectangular box that encompasses text and sometimes graphics, which marketers pay on the placement on specific websites. The cost depends on the traffic on a website, meaning that the more the number of visitors, higher is the cost.
- **E-Mail**: E-mail is quite productive and reasonable selling tools as it enables advertisers to message in order to communicate with a large audience base at a comparatively low cost.
- **Social Media Marketing**: It is one of the emerging modes of marketing these days. Consumers share their videos, audios, texts, and images through various social media platforms Facebook, Twitter, Google plus, Instagram, Linkedin, Pinterest, etc. with their friends, relatives, acquaintances and companies.

It facilitates the marketers to make their presence online and connect with their customers directly.

Direct Marketing

Direct marketing is a type of advertising campaign that seeks to elicit an action (such as an order, a visit to a store or Web site, or a request for further information) from a selected group of consumers in response to a communication from the marketer. The communication itself may be in any of a variety of formats including postal mail, telemarketing, direct e-mail marketing, and point-of-sale (POS) interactions. Customer response should be measurable: for example, the marketer should be able to determine whether or not a customer offered a discount for online shopping takes advantage of the offer.

Forms of direct marketing:

- ✓ Personal selling direct marketing
- ✓ Direct-mail direct marketing
- ✓ Catalog direct marketing
- ✓ Telephone marketing
- ✓ Direct-response television marketing
- ✓ Kiosk marketing
- ✓ Digital direct marketing
- ✓ Online marketing

Relationship Marketing

The **Relationship Marketing** refers to the activities undertaken by the firm to establish and maintain the profitability and the long-term relationship with the customers.

Strategies of CRM:

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

Benefits of using CRM:

- Delivering a consistent customer experience
- Gathering customer feedback
- Improving customer profitability
- Creating customer advocates

Values and Process in CRM:

11 C's FOR CREATING VALUE:

○ **CUSTOMERS:** Define which customers to build relationships with, the objectives to be achieved, and the strategies to use.

○ **CATEGORIES** : Define the scope of product and/or service to be offered to the customer.

○ **CAPABILITIES:** Determine what competencies the firm requires in order to provide customers the value they want.

o **COST AND VALUE**: Build customer profitability by creating new value for customers.

o **CONTROL OF PROCESSES**: Manage contact with the customer efficiently, especially where collection of cash is concerned.

o **COLLABORATION:** Be proactive in working with key decision makers to develop strategies in other areas of their business.

o **CUSTOMIZTION:** In order to create new value for the customer, aspects of product/service development, production and/or delivery may need to be customized.

o **COMMUNICATION:** Make contact with the customer often, not just for promotion, but with meaningful interactive communication.

o **CUSTOMER MEASUREMENTS**: Get regular and measurable feedback from the customer about the relationship you have built.

o **CUSTOMER CARE**: Develop and manage a customer care process whereby you are providing the customer with timely information, training, and feedback.

o **CHAIN:** Actively manage the chain of relationships associated with the customer including external stakeholders, suppliers, and distribution channels.

Benefits of Relationship Marketing

1. The Relationship Marketing ensures the ***long-term retention of the customer***.
2. The ***word of mouth*** plays a crucial role in marketing the product or services.
3. Once the strong relationship is formed with the customer, then even the ***rise in the price of a product*** due to the change in the economic conditions, won't have a much effect on customer purchase. Thus, the relationship marketing helps in retaining the customer even in the worst economic conditions.
4. When the customer shares a healthy relationship and is happy with the brand, will readily give its ***valuable feedback*** for the firm's new product or service launched in the market.
5. The companies can gain the ***competitive edge*** over the other competitors by offering a more personal touch to the customers. This can be achieved if the company is,

- Honest and keep an open line of communication
- Maintains a proper feedback channel
- Provides an efficient service support

- Interacts with customers online via social media.
- Monitors the image of the brand online and respond accordingly.

LOGISTIC MANAGEMENT

"Logistics Management deals with the efficient and effective management of day-to-day activity in producing the company's finished goods and services"

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The terms Logistics and Supply Chain Management are used interchangeably these days, but there is a subtle difference that exists between the two.

Logistics' refers to the set of activities ranging from procurement of raw materials, to the delivery of the final polished good to the end consumer.

'**Supply chain'** is a network of these organizations that coalesce with each other (downstream or upstream) to make the final shipment successful.

The explanation of logistics in a simple manner is as follows:

The supply of raw materials, materials management in a firm and distribution of it to customers is known as logistics management.

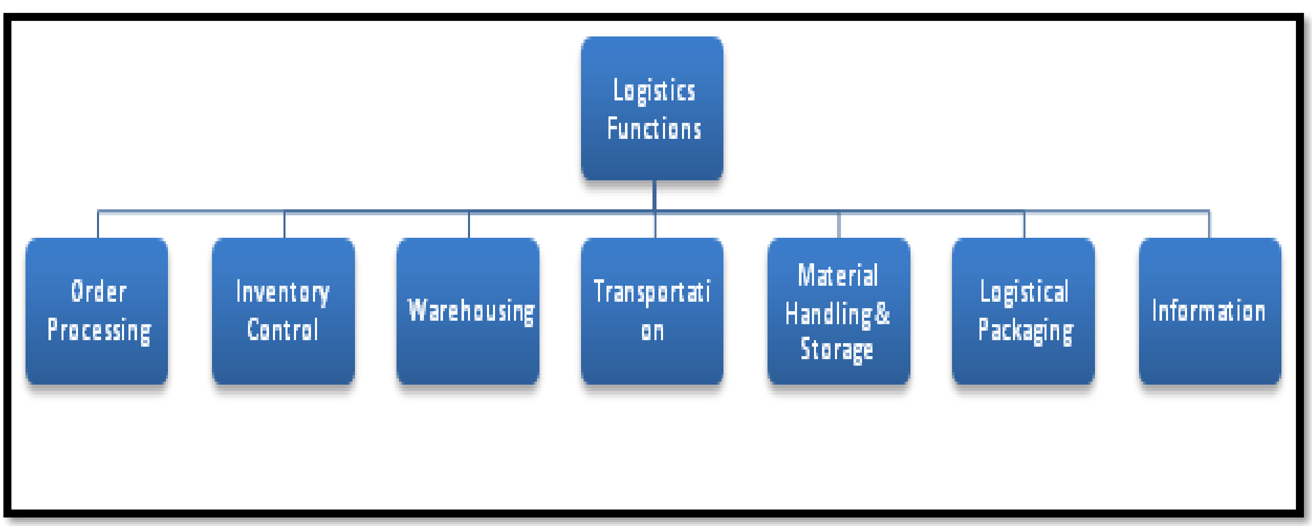
Types of logistics

Activities of logistics are categorized into two types and those are as below:

- Inbound logistics
- Outbound logistics

1. **Inbound logistics:** activities related to the material's procurement, transportation, handling and storing are called as inbound logistics.

2. **Outbound logistics:** activities that are related to the maintenance, collection, and delivery of products to the customers are called as outbound activities.



- ✓ The flow of products and storage of products in an organization and outside of an organization is called as logistics.
- ✓ The vital objective of it is the complete customer satisfaction and a single organization gets involve in logistics management, it is an activity of supply chain management.
- ✓ So, logistics management involves the operations like implementation, planning and controlling an effective flow of raw materials, storage of raw materials, and finished products.

There are seven "R"s which are related to logistics management and those are as below:

- Right product
- Right quantity
- Right condition
- Right place
- Right customer
- Right time
- Right price

The network of logistics is explained in the below diagram: