MALLA REDDY COLLEGE OF ENGINEERING & TECHNOLOGY
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DEPARTMENT OF BUSINESS MANAGEMENT

Digital Notes

Marketing Management

R20MBA13

MBA I Year II Semester

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Course Aim/s:

- The objective of this course is to introduce students to the concepts, analysis, and activities that comprise marketing management. This course is also foundation for advanced electives in marketing.

Learning Outcome/s:

- They will be able to analyze markets and design customer driven strategies and will be able to communicate the decisions towards business development with superior customer value.

Unit-I: Introduction to Marketing

Introduction: Importance - Scope of Marketing - Core Marketing Concepts - Marketing Environment - Marketing Strategies & Plans.
Market Research (MR): Definition of MR - MIS - MR Process - MR Online - MR & Ethics - International MR.

Unit-II: Analyzing Marketing Opportunities, Customer Value and Marketing Mix

Market Analysis and Decision Making: Consumer Decision Making - Creating Customer Value - Analyzing Consumer Markets - Consumer Behaviour - Cultural - Social & Personal Factors. Marketing Mix: Developing Products & Brands - Product Levels - Classifying Products - Product Range - Line & Mix - PLC - New Product Development.

Unit-III: Designing a Customer Driven Strategy

Market Segmentation: Segmentation of Consumer Market - Business Market - Requirement for Effective Segmentation - Market Targeting - Evaluating Market Segmentation - Selecting Target Market Segmentation.
Positioning: Positioning Maps - Positioning Strategy

Unit-IV: Distribution Decisions, Promotion & Communication Strategies

Distribution Decisions: Marketing Channels - Channel Intermediates and Functions - Channel Structure - Channel for Consumer Products - Business and Industrial Products - Alternative Channel - Channel Strategy Decisions.
Promotion: The Promotional Mix - Advertising - Public Relations - Sales Promotion - Personal Selling.
Marketing Communication: Communication Process – Communication Promotion Mix - Factors affecting the Promotion Mix.

Unit-V: Pricing Theory and Practices & Different Types of Marketing

Pricing: Importance of Price - Cost Determinant of Price - Mark-up Pricing - Profit Maximization Pricing - Break Even Pricing - Pricing Strategy - Ethics of Pricing Strategy - Product Line Pricing. Types of Marketing: Word-of-mouth - Rural Marketing - BOP - Relationship Marketing - Digital Marketing - Social Marketing - Services Marketing - Global marketing.

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UNIT I

IMPORTANCE AND SCOPE OF MARKETING

Marketing is defined by the American Marketing Association as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large." The term developed from the original meaning which referred literally to going to market with goods for sale. From a sales process engineering perspective, marketing is "a set of processes that are interconnected and interdependent with other functions" of a business aimed at achieving customer interest and satisfaction.

Philip Kotler defines marketing as:-marketing is about Satisfying needs and wants through an exchange process.

The Chartered Institute of Marketing defines marketing as "the management process responsible for identifying, anticipating and satisfying customer requirements profitably." A similar concept is the value-based marketing which states the role of marketing to contribute to increasing shareholder value. In this context, marketing can be defined as "the management process that seeks to maximize returns to shareholders by developing relationships with valued customers andcreating a competitive advantage."

The process of marketing is that of bringing a product to market in which includes these steps: broad market research; market targeting and market segmentation; determining distribution, pricing and promotion strategies; developing a communications strategy; budgeting; and visioning long-term market development goals. Many parts of the marketing process (e.g. product design, art director, brand management, advertising, copywriting etc.) involve use of the creative arts.

CORE MARKETING CONCEPTS

The 'marketing concept' proposes that in order to satisfy the organizational objectives, an organization should anticipate the needs and wants of potential consumers and satisfy them moreeffectively than its competitors. This concept originated from Adam Smith's book *The Wealth of Nations*, but would not become widely used until nearly 200 years later. Marketing and Marketing Concepts are directly related.

Given the centrality of customer needs and wants in marketing, a rich understanding of these concepts is essential:

Needs: Something necessary for people to live a healthy, stable and safe life. When needs remain unfulfilled, there is a clear adverse outcome: a dysfunction or death. Needs can be objective and physical, such as the need for food, water and shelter; or subjective and psychological, such as the need to belong to a family or social group and the need for self-esteem.

Wants: Something that is desired wished for or aspired to. Wants are not essential for basic survival and are often shaped by culture or peer-groups.
Demands*:* When needs and wants are backed by the ability to pay, they have the potential to become economic demands.

Marketing research, conducted for the purpose of new product development or product improvement, is often concerned with identifying the consumer's *unmet needs.* Customer needs are central to market segmentation which is concerned with dividing markets into distinct groups of buyers on the basis of "distinct needs, characteristics, or behaviors who might require separate products or marketing mixes." Needs-based segmentation (also known as *benefit segmentation*) "places the customers' desires at the forefront of how a company designs and markets products or services." Although needs-based segmentation is difficult to do in practice, has been proved to be one of the most effective ways to segment a market. In addition, a great deal of advertising and promotion is designed to show how a given product's benefits meet the customer's needs, wants or expectations in a unique way.

MARKETING ENVIRONMENT

Marketing Environment is the combination of external and internal factors and forces which affect the company‘s ability to establish a relationship and serve its customers. The marketing environment of a business consists of an internal and an external environment. The internal environment is company specific and includes owners, workers, machines, materials etc. The external environment is further divided into two components: micro & macro. The micro or the task environment is also specific to the business but external. It consists of factors engaged in producing, distributing, and promoting the offering. The macro or the broad environment includes larger societal forces which affect society as a whole. The broad environment is made up of six components: demographic, economic, physical, technological, political-legal, and social-cultural environment.

‗A company‘s marketing environment consists of the actors and forces outside of marketing that affect marketing management ability to build and maintain successful relationships with target customers‖. – Philip Kotler

Components of Marketing Environment

The marketing environment is made up of the internal and external environment of the business. While internal environment can be controlled, the business has very less or no control over the external environment.

Internal Environment

The internal environment of the business includes all the forces and factors inside the organisation which affect its marketing operations. These components can be grouped under the Five Ms of the business, which are:

- Men
- Money
- Machinery
- Materials
- Markets

The internal environment is under the control of the marketer and can be changed with the changing external environment. Nevertheless, the internal marketing environment is as important for the business as the external marketing environment. This environment includes the sales department, marketing department, the manufacturing unit, the human resource department, etc.

External Environment

The external environment constitutes factors and forces which are external to the business and on which the marketer has little or no control. The external environment is of two types:

Micro Environment

The micro component of the external environment is also known as the task environment. It comprises of external forces and factors that are directly related to the business. These include suppliers, market intermediaries, customers, partners, competitors and the public

- **Suppliers** include all the parties which provide resources needed by the organisation.
- **Market intermediaries** include parties involved in distributing the product or service of the organisation.
- **Partners** are all the separate entities like advertising agencies, market research organizations‘, banking and insurance companies, transportation companies, brokers, etc. which conduct business with the organisation.
- **Customers** comprise of the target group of the organisation.
- **Competitors** are the players in the same market who targets similar customers as that of the organisation.
- **Public** is made up of any other group that has an actual or potential interest or affects the company's ability to serve its customers.

Macro Environment: The macro component of the marketing environment is also known as the broad environment. It constitutes the external factors and forces which affect the industry as a whole but don‘t have a direct effect on the business. The macro environment can be divided into 6 parts.

1. Demographic Environment: The demographic environment is made up of the people who constitute the market. It is characterized as the factual investigation and segregation of the population according to their size, density, location, age, gender, race, and occupation.

2. Economic Environment: The economic environment constitutes factors which influence customers‘ purchasing power and spending patterns. These factors include the GDP, GNP, interest rates, inflation, income distribution, government funding and subsidies, and other major economic variables.

3. Physical Environment: The physical environment includes the natural environment in which the business operates. This includes the climatic conditions, environmental change, accessibility to water and raw materials, natural disasters, pollution etc.

4. Technological Environment: The technological environment constitutes innovation, research and development in technology, technological alternatives, innovation inducements also technological barriers to smooth operation. Technology is one of the biggest sources of threats and opportunities for the organisation and it is very dynamic.

5. Political-Legal Environment: The political & legal environment includes laws and government‘s policies prevailing in the country. It also includes other pressure groups and agencies which influence or limit the working of industry and/or the business in the society.

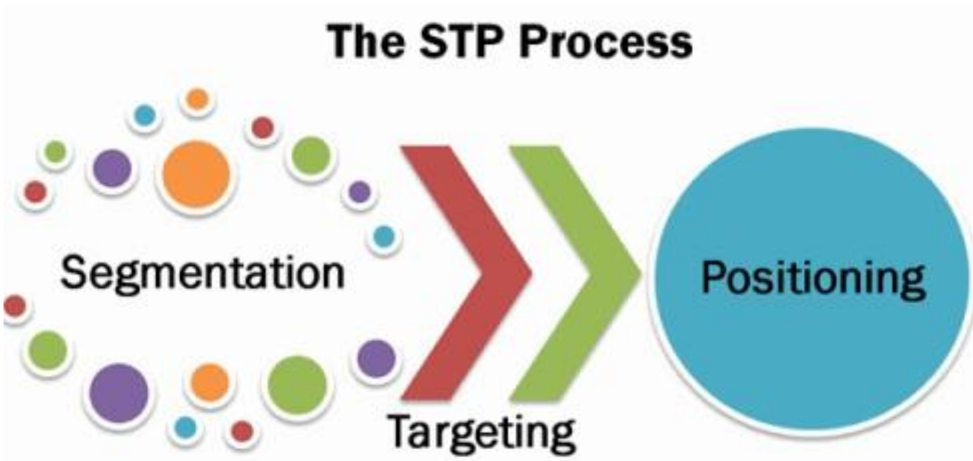
6. social-Cultural Environment: The social-cultural aspect of the macro environment is made up of the lifestyle, values, culture, prejudice and beliefs of the people. This differs in different regions.

MARKETING STRATEGIES AND PLANS

In every business either on small or large scale marketing forms a major platform of operations. Marketing is the base of successful business and it is due to marketing that a business venture flourishes touching the heights of glory. Marketing and other expert professional have needed an aggressive effort for promoting the product.

There are three steps that are required to promote a product successfully. These steps are segmentation, targeting and positioning also known as STP Process. Lets discuss each step STP Process in detail.

1. **Market Segmentation**
2. **Market Targeting**
3. **Market Positioning**



Market Segmentation

'Market Segmentation' is one of the most important pillars of marketing strategy. Segmenting can be define as ―dividing the whole market into different smaller groups of buyers with distinct needs, characteristics, or behavior that might require separate products, services, market mix and marketing strategies‖. Suppose, Sony Ericson designs mobiles for boys and girls, airlines offer both business and economy classes. There are four common types of segmentation:

- Geographic segmentation
- Demographic segmentation
- Psychographic segmentation
- Behavioral segmentation

Market Targeting

After dividing the market into different segments next step is to choose one or more segment to enter in the market. For this purpose marketer analyze the segment weather it is beneficial for long run or not, this evaluation and selecting of segment is called targeting. Simple definition of segmenting is ―process of evaluating each market segment‘s attractiveness and selecting on or more segments to enter‖. We can also say that targeting is actually cutting up the market pie into different parts. Segmentation means that, instead of sending your message to a crowded hall, a company should pitch their product to a group of attentive listeners in a quiet room.

Steps of Segmenting

Evaluate Market Segments

1. Segment size & growth
2. Segment attractiveness
3. Company‘s objectives & resources

Selecting Target Market segment

1. Undifferentiated or Mass marketing
2. Differentiated marketing
3. Niche marketing
4. Micro marketing

Market Positioning

Once the market is divided into smaller and more manageable categories, in the next step companies carve out a position within each market segment. Positioning defines as ―the process by which marketers try to create or build an image (identity) of their products or services in the mind of their targeted segment‖. This mean determining the perception of company‗s product or service in the target segment or this is the way to understand that why a customer should prefer your product or service instead of competitors. There are two type of market positioning.

1. **Re-positioning** involves changing the identity of a company‗s product or service relative to competitors. This is called changing own product image.
2. **De-positioning** involves attempting to change the identity of competitor‗s products or services. This is called changing competitors product image.

When a company fails to carve out its own position, then the company pushed into a restrictive corner by the rest of the competition, which can be hard to reverse once it has occurred. A company must consider these elements of market choices to develop market position of their product or service.

1. Pricing
2. Quality
3. Service
4. Packaging

MARKET RESEARCH

Marketing research: is "the process or set of processes that links the producers, customers, and end users to the marketer through information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyzes the results, and communicates the findings and their implications."

It is the systematic gathering, recording, and analysis of qualitative and quantitative data about issues relating to marketing products and services. The goal of marketing research is to identify and assess how changing elements of the marketing mix impacts customer behavior. The term is commonly interchanged with market research; however, expert practitioners may wish to draw a distinction, in that *market* research is concerned specifically with markets, while *marketing* research is concerned specifically about marketing processes.

Marketing research process

Step 1: Problem Definition

The first step in any marketing research project is to define the problem. In defining the problem, the researcher should take into account the purpose of the study, the relevant background information, what information is needed, and how it will be used in decision making. Problem definition involves discussion with the decision makers, interviews with industry experts, analysis of secondary data, and, perhaps, some qualitative research, such as focus groups. Once the problem has been precisely defined, the research can be designed and conducted properly.

Step 2: Development of an Approach to the Problem

Development of an approach to the problem includes formulating an objective or theoretical framework, analytical models, research questions, hypotheses, and identifying characteristics or factors that can influence the research design. This process is guided by discussions with management and industry experts, case studies and simulations, analysis of secondary data, qualitative research and pragmatic considerations.

Step 3: Research Design Formulation

A research design is a framework or blueprint for conducting the marketing research project. It details the procedures necessary for obtaining the required information, and its purpose is to design a study that will test the hypotheses of interest, determine possible answers to the research questions, and provide the information needed for decision making. Conducting exploratory research, precisely defining the variables, and designing appropriate scales to measure them are also a part of the research design. The issue of how the data should be obtained from the respondents (for example, by conducting a survey or an experiment) must be addressed. It is also necessary to design a questionnaire and a sampling plan to select respondents for the study.

More formally, formulating the research design involves the following steps:

1. Secondary data analysis
2. Qualitative research
3. Methods of collecting quantitative data (survey, observation, and experimentation)
4. Definition of the information needed
5. Measurement and scaling procedures
6. Questionnaire design
7. Sampling process and sample size
8. Plan of data analysis

Step 4: Field Work or Data Collection

Data collection involves a field force or staff that operates either in the field, as in the case of personal interviewing (in-home, mall intercept, or computer-assisted personal interviewing), from an office by telephone (telephone or computer-assisted telephone interviewing), or through mail (traditional mail and mail panel surveys with prerecruited households). Proper selection, training, supervision, and evaluation of the field force help minimize data-collection errors.

Step 5: Data Preparation and Analysis

Data preparation includes the editing, coding, transcription, and verification of data. Each questionnaire or observation form is inspected, or edited, and, if necessary, corrected. Number or letter codes are assigned to represent each response to each question in the questionnaire. The data from the questionnaires are transcribed or key-punched on to magnetic tape, or disks or input directly into the computer. Verification ensures that the data from the original questionnaires have been accurately transcribed, while data analysis, guided by the plan of data analysis, gives meaning to the data that have been collected. Univariate techniques are used for analyzing data when there is a single measurement of each element or unit in the sample, or, if there are several measurements of each element, each RCH variable is analyzed in isolation. On the other hand, multivariate techniques are used for analyzing data when there are two or more measurements on each element and the variables are analyzed simultaneously.

Step 6: Report Preparation and Presentation

The entire project should be documented in a written report which addresses the specific research questions identified, describes the approach, the research design, data collection, and a data analysis procedure adopted, and presents the results and the major findings. The findings should be presented in a comprehensible format so that they can be readily used in the decision making process. In addition, an oral presentation should be made to management using tables, figures, and graphs to enhance clarity and impact.

For these reasons, interviews with experts are more useful in conducting marketing research for industrial firms and for products of a technical nature, where it is relatively easy to identify and approach the experts. This method is also helpful in situations where little information is available from other sources, as in the case of radically new products.

Secondary data analysis

Secondary data are data collected for some purpose other than the problem at hand. Primary data, on the other hand, are originated by the researcher for the specific purpose of addressing the research problem. Secondary data include information made available by business and government sources, commercial marketing research firms, and computerized databases. Secondary data are an economical and quick source of background information.

Qualitative research

Information, industry experts, and secondary data may not be sufficient to define the research problem. Sometimes qualitative research must be undertaken to gain a qualitative understanding of the problem and its underlying factors. Qualitative research is unstructured, exploratory in nature, based on small samples, and may utilize popular qualitative techniques such as focus groups (group interviews), word association (asking respondents to indicate their first responses to stimulus words), and depth interviews (one-on-one interviews which probe the respondents' thoughts in detail). Other exploratory research techniques, such as pilot surveys with small samples of respondents, may also be undertaken.

Online market research shares the same goal as traditional market research - to gather as much knowledge/information about a target audience, product or target market as possible: because of its velocity, high research performance and internationalization, online market research is still on advance. Like market research, online market research aimed as well getting as much knowledge your target group, product or market.

ONLINE MARKET RESEARCH

Definition of online market research

Online market research can be interpreted in three different ways.

- Internet as a method of research
- Internet as a object of research
- Internet as a medium of research

This article focused on the first topic „Internet as a method of research―. In that case the internet is the instrument of research. The methods of online market research are the same methods used in the traditional market research: interview, observation, case studies and focus groups.

Methods of online market research

Similar to market research, online market research falls into primary and secondary research as well. Secondary research is not build on own data, it falls back to pre-existing data on the internet. For example search engines, databases or information sites. Primary research on the other hand builds its own data. Holger Lütters, expert for online market research and author, varies regarding primary research in reactive a non-reactive methods. Reactive methods in the context of online market research are online surveys, online observations and online focus groups. Online case studies and online panels belong to non-reactive methods.

1. Online survey

The participant fills out a survey featured by the medium internet. The survey is programmed and the processing occurred through local browsers. Online surveys have different advantages such as the possibility of a comfortable, program-controlled filtering error or the access to a target group that is difficult to reach offline (e.g. young men or visitors of specific websites). But there are also existing different disadvantages such as the missing possibility to control the situation of the survey (similar to normal surveys, researchers can check the time to fill out the survey. If it is far below the average, the researcher has to take into consideration that the information provided might not be as sufficient as surveys provided by other members of the group)

2. Online Observation

Via online observation, market researchers basically examine the reaction of users about companies, organizations, products or services. The behavior of the user is for example analyzed by log file-analysis, cookies or click stream-analysis. Market researchers can also use blogs, for example, to inform about the users opinion.

3. Online focus groups

Another subset of the methods of online market research is online groups. Online focus groups have between 8 and 10 participants and last usually from 60 minutes up to 90 minutes. The online focus group is lead by a moderator who uses predetermined questions and unscripted probes.

4. Online panel

An online panel is a group of users, who confirmed participating in constant online studies. Advantages of online panels are the costs, because online panels are much cheaper than the conducting of real panels, and the researcher has more flexibility in conducting the online panel. Because of the own decision to participate at the panel, the biggest problem of online panels is the missing representativeness. This causes the sample not to be fully representative of the target audience.

MARKETING RESEARCH ETHICS

Marketing research has experienced resurgence with the widespread use of the Internet and the popularity of social networking. It is easier than ever before for companies to connect directly with customers and collect individual information that goes into a computer database to be matched with other pieces of data collected during unrelated transactions. The way a company conducts its market research these days can have serious ethical repercussions, impacting the lives of consumers in ways that have yet to be fully understood. Further, companies can be faced with a public backlash if their market research practices are perceived as unethical.

1. Deceptive Practices

The ease with which a company can access and gather data about its customers can lead to deceptive practices and dishonesty in the company's research methods. This type of ethical problem can run the gamut — from not telling customers that information is being collected when they visit a website to misrepresenting research results by changing database numbers. Any action that uses lies and deception to find out or establish information about consumers falls under this category.

2. Invasion of Privacy

One of the most serious ethical considerations involved in market research is invasion of privacy. Companies have an unprecedented ability to collect, store and match information relating to customers that can infringe on a person's right to privacy. In many instances, the customer does not know or understand the extent of the company's infiltration into his life. The company uses this information to reach the customer with targeted advertising, but the process of targeting can have a chilling affect on personal freedom.

3. Breaches of Confidentiality

Another significant ethical consideration involved in market research involves breaches of confidentiality. Companies regularly share information about customers with partners and affiliates, requiring the customer to opt-out of the sharing if he doesn't want to be involved. Some companies sell information they have gathered on customers to outside companies. Ethically, any unauthorized disclosure of customer information is problematic.

4. Objectivity

Marketing and advertising have a significant impact on public perceptions. Market researchers have an ethical obligation to conduct research objectively, so that available data allows for the development of a balanced or reality-based picture. Researchers who allow their own prejudices to skew their work tend to contribute to the perpetuation of stereotypes in advertising, the development of destructive social constructs and the enabling of unjust profiting from poverty. For example, a market researcher with a one-dimensional view of minorities could do a fair amount of harm if allowed to shape an advertising campaign based on skewed data collection.

INTERNATIONAL MARKET RESEARCH

The 3 basic steps of international market research are: screening markets, assessing their potential, and drawing conclusions.

1. Screen potential markets

- Collect statistics related to your sector that show product or service exports to various countries.
- Identify 5 to 10 large and fast-growing markets for your product or service. Look at them over the past 3 to 5 years. Has market growth been consistent year-to-year? Did import growth occur even during periods of economic recession? If not, did growth resume with economic recovery?
- Consider smaller emerging markets that may hold ground-floor opportunities for you. If the market is just beginning to open up, there may not be as many competitors as in an established market.
- Target a few of the most promising markets for further study.

2. Assess target markets

- Examine trends that could influence demand for your product or service. Calculate the overall consumption of products or services like yours and identify the amount imported.
- Study the domestic and international competition. Look at each competitor's Canadian market share.
- Identify what affects the marketing and use of the product or service in each market, such as channels of distribution, cultural differences and business practices.
- Find out if you will encounter any trade barriers (tariff or non-tariff) in your potential market, as well as any Canadian barriers (such as export controls) affecting exports to the country.
- Search for Canadian or foreign government incentives to promote the export of the product or service.

3. Draw conclusions

- Analyzing the data you have collected should help you decide which markets to go after, and assist in the development of your export plan and marketing strategy.
- If you are new to exporting, experts recommend that you focus your energy on no more than one or two countries at a time.

UNIT II

CONSUMER DECISION MAKING

There are five Step of the Consumer Decision Making Process. They are:

- Problem recognition - Recognizing the need for a service or product.
- Information search - The consumer gathers information
- Alternatives evaluation - weigh choices against comparable alternatives
- Purchase decision - Consumer makes actual purchase
- Post-purchase evaluation - reflection from both the consumer and seller

1. Problem/Need Recognition

Recognition of need or a problem is the first stage of the model. According to Bruner (1993) recognition of a problem arises in the situation where an individual realizes the difference between the actual state of affairs and desired state of affairs. Neal and Quester (2006) further state that the recognition of a problem or need depend on different situations and circumstances such as personal or professional and this recognition results in creation of a purchasing idea. For instance, consumer may recognize the need to buy a laptop when there is need to carry it use it in different places which is convenient compared to a desktop computer.

Solomon et al (2006) classifies the human needs into two different categories depending on their nature. The following categories are mentioned: *psychological* and *functional* or *physical* needs. The authors state that the psychological needs are the outcome of emotional feeling of consumers whereas functional or physical needs are usually the results of necessity.

According to Tyagi (2004) need recognition at various levels often occurs during the process of encountering with the product at various circumstances. In other words, Tyagi (2004) convincingly argues that an individual might not be aware of the need for a specific product until he or she encounters with the product as a result of engaging in ‗window-shopping', media advertisements, or in a range of other circumstances.

The human need has no limit therefore; the problem recognition is a repetitive in nature. According to Maslow theory, human being is always dissatisfied, when an individual's one need is satisfied another one will come out and this trend continues repetitively.

2. Information Search

The next stage of the model is information search. Once the need is recognized, the consumer is likely to search more product-related information before directly making a purchase decision. However, different individuals are involved in search process differently depending on their knowledge about the product, their previous experience or purchases or on some external information such as feedback from others.

Search of information process itself can be divided into two parts as stated by Oliver (2011): the internal search and external search. In internal search, the consumers compare the alternatives from their own experiences and memories depending on their own past experiences and knowledge. For example, searching for fast food can be an example for internal search because customers often use their knowledge and tastes to choose the right product they need rather than asking someone for an advice. On the other hand, external search ends to be for bigger purchases such as home appliances or gadgets. For instance, consumers who wish to buy new furniture or a mobile phone tend to ask friends' opinion and advices or search in the magazines and media before making a purchasing decision.

Winer (2009) argues that with the enhancing role of internet in professional and personal lives of people, increasing numbers of individuals are turning to various resources in internet when searching for information about product categories or specific brands. The author specifically highlights the role of online user reviews and forums in terms of their significant impact upon information search stage of consumer decision making process among internet users.

Colleagues, peers, friends and family members are highlighted as another important source of information by Kahle and Close (2006). Moreover, according to Kahle and Close (2006) the nature of influence of peers, friends and family members upon information search and consumer decision making process in general depends on a range of factors such as the nature of relationships, the level of personal influence, the extent of ‗opinion leadership' associated with specific individuals etc.

3. Evaluation of Alternatives

After gathering enough information at the first stage the consumer gets into comparing and evaluating that information in order to make the right choice. In this stage the consumer analyzes all the information obtained through the search and considers various alternative products and services compares them according to the needs and wants. Moreover, another various aspects of the product such as size, quality, brand and price are considered at this stage. Therefore, this stage is considered to be the most important stage during the whole consumer decision making process.

Furthermore, according to Ha et al (2010), the process of evaluation of alternatives can sometimes be difficult, time consuming and full of pressure for a consumer. This is because it is quite hard to find an ideal product or service that satisfies the needs of the customer as there are numerous factors that hinder the consumer purchasing decision making process. For instance, when it comes to online hotel reservation or furniture purchasing evaluation process, it can be quite complex. Several factors and aspects need to be considered before making a purchasing decision. Factors such as age, culture, taste and budget have all impact on the evaluation process by the consumer. For example, when purchasing a furniture, the young people consider the factors such as convenience and price where as the old people are likely to consider the quality and design.

Moreover, celebrity endorsement is seen as another factor with great potential impact on evaluation of alternatives stages of consumer decision making process. Cant et al. (2010) explain the effectiveness of celebrity endorsements with perceived greatness people associate with their idols and the willingness and desire to become like their idols.

4. Purchase Decision

Once the information search and evaluation process is over, the consumer makes the purchasing decision and this stage is considered to be the most important stage throughout the whole process. In this stage, the consumer makes decision to make a final purchase as he or she has already reviewed all the alternatives and came to a final decision point. Purchased further can be classified into three different types: planned purchase, partially purchase and impulse purchase (Kacen, 2002).

Kacen‘s view is further supported by Hoyer and Macinnis (2008) stating that there are a number of factors that can affect the purchasing process. For example, the desired product may not be available at the stock. In this case the purchase process is delayed and consumer may consider buying the product through online stores rather than visiting traditional physical stores.

According to Wiedmann et al. (2007) department store sales assistants play in integral role in terms of impacting consumer purchase decision in a positive way from a business point of view. At the same time Wiedmann et al. (2007) warn that this impact must not be done in a pushy manner, in which case it can prove to be counter-productive.

5. Post-Purchase Evaluation

The final stage in the consumer decision making process is post-purchase evaluation stage. Many companies tend to ignore this stage as this takes place after the transaction has been done. However, this stage can be the most important one as it directly affects the future decision making processes by the consumer for the same product. Therefore this stage reflects the consumer's experience of purchasing a product or service. This view is further supported by Ofir (2005) mentioning that the consumer decision making process is a repetitive action and a good experience is vital in reducing the uncertainty when the decision to purchase the same product or service is considered the ext time.

The opinions of peers, friends and family regarding the purchases made is specified as one of the most important factors affecting the outcome of post-purchase evaluation by Perrey and Spillecke (2011). This point is further expanded by Trehan and Trehan (2011), according to whom peer opinions regarding product evaluations tend to impact customer level of satisfaction regardless of their level of objectivity.

Brink and Berndt (2009) also highlights the importance of the post-purchase evaluation stage. According to the authors, the consumer may either get satisfaction or dissatisfaction depending on the evaluation of the purchase and comparison of their own expectations. The outcome forms the experience of the customer and it this experience is believed to have a direct impact on the next decision of the consumer to purchase the same product from the same seller.

Simply, if the consumer is satisfies with the purchase it is likely that the purchase may be repeated while if they have a negative experience from the purchase it is unlikely that the consumer may make the decision to buy the same product from the same seller or even may not buy the product at all.

CREATING CUSTOMER VALUE.

Definition of Customer Value

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

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

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

Types of Value

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

- Appropriate features and characteristics - quality, aesthetics, creativity, and customization.

- Appropriate performance - performance quality, reliability, and service-support outcomes.
- Appropriate outcomes - effectiveness, operational benefits, and environmental benefits.

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

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

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

ANALYZING CONSUMER MARKET

Marketing practices are linked with satisfaction of targeted customers and to fulfill their emerging needs and wants in efficient way as compared to business rivals. Marketers are involved in analyzing rising customer trends that suggest new marketing opportunities. It is imperative to adopt a holistic marketing orientation in order to understand customers and the bases for their choices. A consumer market is a marketplace that comprises of household consumers who buy goods for individual or family utilization. It is dissimilar than a business market, in which businesses trade goods and services to other companies.

The consumer market pertains to buyers who buy goods and services for consumption rather than resale. It is asserted that all customers do not have similar choices, preferences and buying habits because of different characteristics that can differentiate certain consumers from others. These particular consumer characteristics consist of various demographic, psychographic, behaviouralistic and geographic traits. Marketers usually characterize these consumer characteristics through market segmentation, the process of separating and recognizing prime customer factions.

Demographic Characteristics of consumer markets are based on demographics such as dissimilarities in gender, age, ethnic background, income, occupation, education, household size, religion, generation, nationality and social class. Companies often categorize these demographic characteristics through market research surveys. From survey results, companies used to discover which demographic groups comprise the majority of their customer base. Companies can then focus their advertising towards these demographic groups.

Psychographic Characteristics: In consumer market, Psychographic characteristics can also be found that include interests, activities, opinions, values and attitudes. Consumer activities can include partaking in martial arts or basket weaving. Opinions and attitudes can be both precise and general. A company may better recognize consumer opinions and attitudes after conducting a focus group, and can use that information to modify advertising or marketing campaigns. Consumer values can affect to how a group of individuals feels about some social issues, which can be of interest to non-profits or charitable organizations.

Behavioralistic Characteristics can also be gained through marketing research. Behavioralistic characteristics of consumer markets include product usage rates, brand loyalty, user status or how long they have been a customer, and even benefits that consumers seek. Company marketing departments usually try to differentiate between heavy, medium and light users, whom they can then target with advertising. Marketers interested to know which customers are brand loyalists, as those consumers usually only buy the company's brand.

Geographic Characteristics: Consumer markets also have diverse geographic characteristics. These geographic characteristics are often based on market size, region, population density and even climate.

It is well established in marketing studies that Consumer behavior is the study of how individuals, groups and organizations select but use and dispose goods services, ideas or experiences to gratify their requirements. A marketer must be fully knowledgeable of both theory and reality of consumer behavior. Consumers make many buying decisions each day. Majority of companies investigate consumer buying decisions to explore the needs of consumers and their buying pattern such as where they buy, how and how much they buy, when they buy and why they buy. A consumer buyer's behavior is affected by cultural, social and personal factors.

FACTORS AFFECTING 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 behavior. These are:

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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

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

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

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

- Age
- Income
- Occupation
- Lifestyle

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:

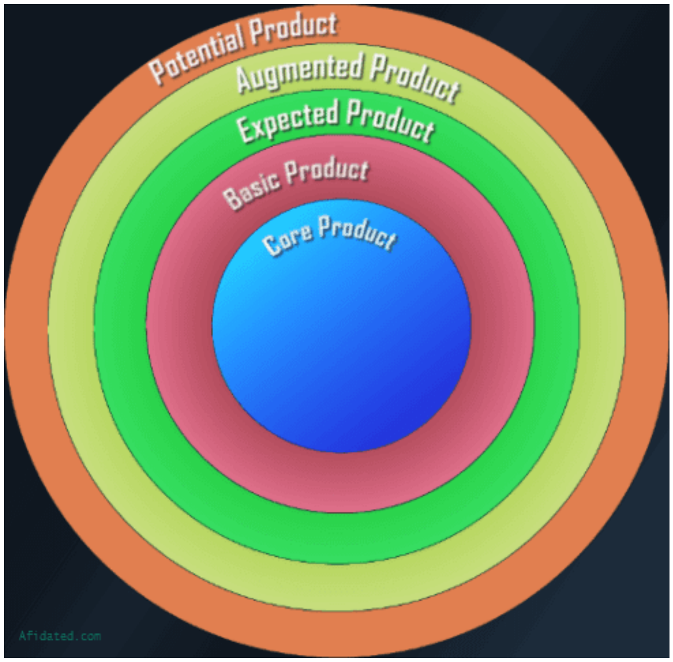
- Personal Income
- Family Income
- Income Expectations
- Consumer Credit
- Liquid Assets of the Consumer
- Savings

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.

LEVELS OF A PRODUCT

What is a product?

According to Philip Kotler, who is an economist and a marketing guru, a product is more than a tangible *„thing"*. A product meets the needs of a consumer and in addition to a tangible value this product also has an abstract value. For this reason Philip Kotler states that there are five product levels that can be identified and developed. In order to shape this abstract value, Philip Kotler uses five product levels in which a product is located or seen from the perception of the consumer. These 5 Product Levels indicate the value that consumers attach to a product. The customer will only be satisfied when the specified value is identical or higher than the expected value.



Five Product Levels

1. Core Product: This is the basic product and the focus is on the purpose for which the product is intended. For example, a warm coat will protect you from the cold and the rain. The more important benefits the product provides, the more that customers need the product. A key element is the uniqueness of the core product. This will benefit the product positioning within a market and effect the possible competition**.**

2. Generic Product: This represents all the qualities of the product. For a warm coat this is about fit, material, rain repellent ability, high-quality fasteners, etc.

3. Expected Product: This is about all aspects the consumer expects to get when they purchase a product. That coat should be really warm and protect from the weather and the wind and be comfortable when riding a bicycle.

4. Augmented Product: The Augmented Product refers to all additional factors which sets the product apart from that of the competition. And this particularly involves brand identity and image. Is that warm coat in style, its colour trendy and made by a well-known fashion brand? But also factors like service, warranty and good value for money play a major role in this. The goal is to deliver something that is beyond an expected product. It‘s the translation of the desire that is converted into reality**.**

5. Potential Product: This is about augmentations and transformations that the product may undergo in the future. For example, a warm coat that is made of a fabric that is as thin as paper and therefore light as a feather that allows rain to automatically slide down.

Competition

The competition between businesses focuses mainly on the distinctiveness of the Augmented Product according to Philip Kotler. It is about the perception a consumer experiences when purchasing a product and it is not so much about value. He states: *"Competition is determined not so much by what companies produce, but by what they add to their product in the form of packaging, services, advertising, advice, delivery (financing) arrangements and other things that can be of value to consumers"*.

Marketing strategy

For production companies it is important to deliver products in an upward trend from *„Core Product"* to *„Augmented Product"* and to have the potential to grow into the *„Potential Product"*. Under the guise of *stagnation means decline*, innovative companies such as Philips and Volkswagen focus on the latter category.

Added value of the Five Product Levels

Each level of the five product levels adds value for the customer. The more efforts production companies make at all levels, the more likely they are to stand a chance to be distinctive. At the *Augmented Product* level, the competition is observed in order to copy certain techniques, tricks and appearance of each other‛s products. This makes it increasingly difficult for a consumer to define the distinctiveness of a product. To be able to tower over the competition, production companies focus on factors which consumers attach extra value to such as extreme packaging, surprising advertisements, customer-oriented service and affordable payment terms. This is not just about satisfying the customers and exceeding their expectations but also about surprising them.

CLASSIFICATION OF PRODUCT

Product classifications help marketers focus their efforts using consumers‛ buying behavior. Your business can use these buying habits to design your marketing efforts for a clearly defined target audience. Consumer products are often classified as convenience goods, shopping goods, specialty products or unsought goods. Although these classifications are named as types of products, focusing on how your customers buy these goods is equally important as you classify products and develop your marketing campaigns. Convenience Goods

Those products your customers buy often and without much thought or planning are classified as convenience goods. Soap, condiments and toothpaste are common examples of convenience goods. Consumers typically make a choice once on their brand preference for these products and repeat that choice over many purchases. Making your convenience goods available for impulse or emergency purchases can be particularly effective. You‛ll see this marketing tactic in the placement of candy near the cash register of your grocery store for impulse buys. Another version is to place umbrellas, boots or snow shovels near a store exit when sudden weather changes call for them.

1. Shopping Goods

Buying decisions are detailed considerations of price, quality and value for products classified as shopping goods. Think about the amount of time you put into picking out a clothing purchase, a car or appliances. Successful marketing of your shopping goods can come from positioning as a better buy than your competitors -- for example, presenting better value with higher quality for the price or vice versa. Products in the shopping goods classification tend to rely on heavy advertising and even trained salespeople to influence consumer choices.

2. Specialty Products

Goods in the specialty products classification tend to promote very strong brand identities, often resulting in strong brand loyalty among consumers. Examples include stereos, computers, cameras and the most high-end brands of cars and clothing. While used cars are classified as shopping goods, a brand-new Mercedes is classified as a specialty good. Buyers for your specialty goods generally spend more time seeking the product they want than on comparing brands or products to make a value decision. Your marketing of specialty goods can be successful by promoting what you have on hand and where your costumers can find it.

3. Unsought Goods

The products classified as unsought goods are those that your consumers don‘t put much thought into and generally don‘t have compelling impulse to buy. Examples include batteries or life insurance. Your consumers essentially buy unsought goods when they have to, almost as an inconvenience rather than the newest, latest, greatest product they can‘t wait to purchase. Marketing your unsought goods will likely be most effective with lots of advertising and salespeople promoting the idea of unresolved need for your unsought products.

PRODUCT RANGE

Small businesses can benefit from offering an array of products. These different products can target customers of varying ages, incomes and tastes. Two types of product arrays are the "product range" and the "product mix". A product range is a set of variations on a specific product made to appeal to different market segments. A product mix is a blend of related products that can be marketed together to similar market segments. Advantages of Product Range

Companies that offer a product range work on variations of a theme. The company specializes in a type of product or service, but offers additions or alterations to suit different types of customers. When a company develops a strong core product line, the product range allows the company to focus on those product lines while still offering enough variety in size, color, taste or functionality to appeal to a wide range of potential customers.

Product Range Examples

Product ranges demonstrate how companies can offer alternatives to their core product, such as how Kellogg's makes both Frosted Flakes cereal for children and Special K for health-conscious consumers. Small businesses can follow the example by offering a product range on their specialty items. For instance, a small family restaurant can offer a kid's menu, a lunch menu and a dinner menu of the same dishes. Each dish may have different seasonings and different portion sizes, but the core product remains the same.

PRODUCT MIX

Advantages of Product Mix

A product mix differs from a product range in that companies that offer a product mix bring several different product lines to the marketplace. The primary advantage of a product mix is that it provides the company with additional opportunities to reach customers. Most of the products in a product mix are related, so customers that choose an item from one product line also will consider selecting an item from a related product line, such as from a company that sells soaps, shaving creams and razors under the same brand.

Product Mix Examples

Companies can earn customer loyalty with a strong product mix. When a customer trusts one item from that brand, that customer is more likely to trust a different product from the same brand. For instance, a manufacturer of athletic apparel can encourage customers to buy its shoes, socks, workout wear, baseball caps and golf shirts. A small business that makes kitchen equipment can diversify its product mix to include cooking pots, frying pans, carving knives and cutting boards.

PRODUCT LINE

A **product line** is a group of products that are closely related to each other by function, customer group, market, or price range.

Example

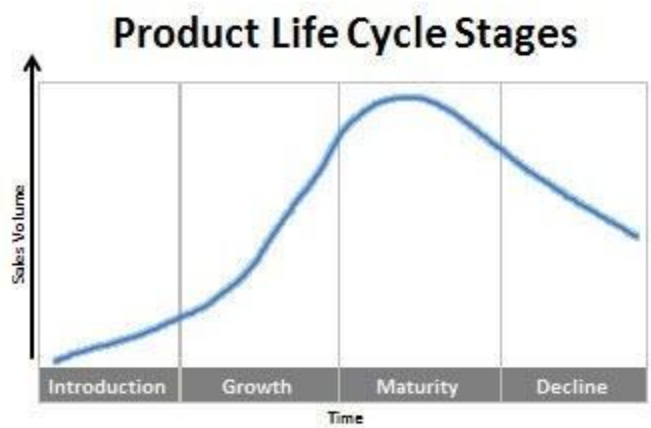
Let's take a look at a simple example. We'll use the idea of a national coffee chain. The various types of coffee served at the coffee chain are one of its product lines. For example, the product lines may consist of espresso, cappuccinos, lattes, mochas, *café au lait*, regular auto-drip coffee, and various signature coffee drinks that were created by the company. The coffee shop may also have a product line of pastries and muffins that are served in the morning and sandwiches and soups that are served in the afternoon and evenings.

PRODUCT LIFE CYCLE

As consumers, we buy millions of products every year. And just like us, these products have a life cycle. Older, long-established products eventually become less popular, while in contrast, the demand for new, more modern goods usually increases quite rapidly after they are launched.

Because most companies understand the different product life cycle stages, and that the products they sell all have a limited lifespan, the majority of them will invest heavily in new product development in order to make sure that their businesses continue to grow.

Product Life Cycle Stages



Product Life Cycle Stages Explained

The product life cycle has 4 very clearly defined stages, each with its own characteristics that mean different things for business that are trying to manage the life cycle of their particular products.

Introduction Stage – This stage of the cycle could be the most expensive for a company launching a new product. The size of the market for the product is small, which means sales are low, although they will be increasing. On the other hand, the cost of things like research and development, consumer testing, and the marketing needed to launch the product can be very high, especially if it‘s a competitive sector.

Growth Stage – The growth stage is typically characterized by a strong growth in sales and profits, and because the company can start to benefit from economies of scale in production, the profit margins, as well as the overall amount of profit, will increase. This makes it possible for businesses to invest more money in the promotional activity to maximize the potential of this growth stage.

Maturity Stage – During the maturity stage, the product is established and the aim for the manufacturer is now to maintain the market share they have built up. This is probably the most competitive time for most products and businesses need to invest wisely in any marketing they undertake. They also need to consider any product modifications or improvements to the production process which might give them a competitive advantage.

Decline Stage – Eventually, the market for a product will start to shrink, and this is what‘s known as the decline stage. This shrinkage could be due to the market becoming saturated (i.e. all the customers who will buy the product have already purchased it), or because the consumers are switching to a different type of product. While this decline may be inevitable, it may still be possible for companies to make some profit by switching to less-expensive production methods and cheaper markets.

NEW PRODUCT DEVELOPMENT

New product development (NPD) is the process of bringing a new product to the marketplace. Your business may need to engage in this process due to changes in consumer preferences, increasing competition and advances in technology or to capitalize on a new opportunity. Innovative businesses thrive by understanding what their market wants, making smart product improvements, and developing new products that meet and exceed their customers' expectations.

'New products' can be:

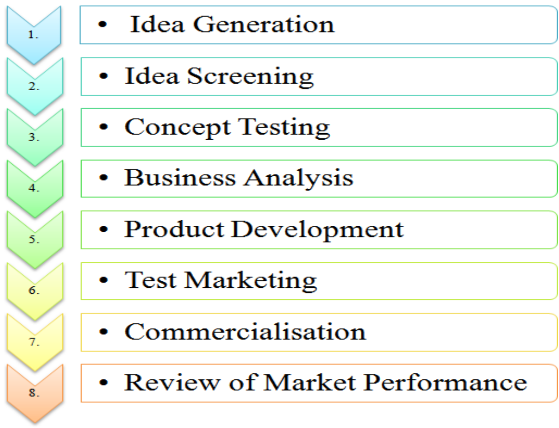
- products that your business has never made or sold before but have been taken to market by others
- Product innovations created and brought to the market for the first time. They may be completely original products, or existing products that you have modified and improved.

NPD is not limited to existing businesses. New businesses, sole traders or even freelancers can forge a place in the market by researching, developing and introducing new or even one-off products. Similarly, you don't need to be an inventor to master NPD. You can also consider purchasing new products through licensing or copyright acquisition

The eight stages or process or steps involved in the development of a new product are listed and also hyper-linked as follows:

1. Idea generation.
2. Idea screening.
3. Concept testing.
4. Business analysis.
5. Product development.
6. Test marketing.
7. Commercialization.
8. Review of market performance.

Now let's discuss each stage in the process of a new-product development.



1. Idea generation

The first step in new-product development is idea generation.

New ideas can be generated by:

- Conducting marketing research to find out the consumers' needs and wants.
- Inviting suggestions from consumers.
- Inviting suggestions from employees.
- Brainstorming suggestions for new-product ideas.
- Searching in different markets viz., national and international markets for new-product ideas.
- Getting feedback from agents or dealers about services offered by competitors.
- Studying the new products of the competitors.

2. Idea screening

Most companies have a "Idea Committee." This committee studies all the ideas very carefully. They select the good ideas and reject the bad ideas.

Before selecting or rejecting an idea, the following questions are considered or asked:

- Is it necessary to introduce a new product?
- Can the existing plant and machinery produce the new product?
- Can the existing marketing network sell the new product?
- When can the new product break even?

If the answers to these questions are positive, then the idea of a new-product development is selected else it is rejected. This step is necessary to avoid product failur

3. Concept testing

Concept testing is done after idea screening. It is different from test marketing.

In this stage of concept testing, the company finds out:

- Whether the consumers understand the product idea or not?
- Whether the consumers need the new product or not?
- Whether the consumers will accept the product or not?

Here, a small group of consumers is selected. They are given full information about the new product. Then they are asked what they feel about the new product. They are asked whether they like the new product or not. So, concept testing is done to find out the consumers' reactions towards the new product. If most of the consumers like the product, then business analysis is done.

4. Business analysis

Business analysis is a very important step in new-product development. Here, a detailed business analysis is done. The company finds out whether the new product is commercially profitable or not.

Under business analysis, the company finds out...

- Whether the new product is commercially profitable or not?
- What will be the cost of the new product?
- Is there any demand for the new product?
- Whether this demand is regular or seasonal?
- Are there any competitors of the new product?
- How the total sales of the new product be?
- What will be the expenses on advertising, sales promotion, etc.?
- How much profit the new product will earn?

So, the company studies the new product from the business point of view. If the new product is profitable, it will be accepted else it will be rejected.

5. Product development

At this stage, the company has decided to introduce the new product in the market. It will take all necessary steps to produce and distribute the new product. The production department will make plans to produce the product. The marketing department will make plans to distribute the product. The finance department will provide the finance for introducing the new product. The advertising department will plan the advertisements for the new product. However, all this is done as a small scale for Test Marketing.

6. Test marketing

Test marketing means to introduce the new product on a very small scale in a very small market. If the new product is successful in this market, then it is introduced on a large scale. However, if the product fails in the test market, then the company finds out the reasons for its failure. It makes necessary changes in the new product and introduces it again in a small market. If the new product fails again the company will reject it.

Test marketing reduces the risk of large-scale marketing. It is a safety device. It is very time-consuming. It must be done especially for costly products.

7. Commercialization

If the test marketing is successful, then the company introduces the new product on a large scale, say all over the country. The company makes a large investment in the new product. It produces and distributes the new product on a huge scale. It advertises the new product on the mass media like TV, Radio, Newspapers and Magazines, etc.

8. Review of market performance

The company must review the marketing performance of the new product.

It must answer the following questions:

- Is the new product accepted by the consumers?
- Are the demand, sales and profits high?
- Are the consumers satisfied with the after-sales-service?
- Are the middlemen happy with their commission?
- Are the marketing staffs happy with their income from the new product?
- Is the Marketing manager changing the marketing mix according to the changes in the environment?
- Are the competitors introducing a similar new product in the market?

The company must continuously monitor the performance of the new product. They must make necessary changes in their marketing plans and strategies else the product will fail.

UNIT III

MARKET SEGMENTATION

Market segmentation is the process of dividing up mass markets into groups or segments with similar needs and wants. The rationale for market segmentation is that in order to achieve competitive advantage and superior performance, firms should: "(1) identify segments of industry demand, (2) target specific segments of demand, and (3) develop specific 'marketing mixes' for each targeted market segment.

Customer segmentation is imperative when trying to send messages to a target market. Segmenting consumers enables marketing teams to stretch budgets and make the most of marketing dollars by reaching the most ideal visitors who are likely to become leads, without wasting money on impressions that will never turn into conversions.

Additionally, by reaching niche groups of people, marketers can craft messages specifically for them. This communication will enable marketers to connect with the target audience, develop relationships, and communicate messages that resonate.

There is an excess of ways to segment the market in order to reach the most ideal consumers for certain products or services. Some of these include geographic segmentation, demographic segmentation, psychographic segmentation, and behavioral segmentation.

Customer Segmentation: Geographic

Geographic segmentation is the practice of segmenting a campaign‘s target audience based on where they are located. Segments can be as broad as a country or a region, or as narrow as one street of homes in a town.

Geographic segmentation is useful for both large and small businesses alike. Large businesses with international markets may choose to offer products or services specifically for audiences in particular locations. For example, Home Depot may target US northeastern states when advertising a sale on snow shovels. Presenting this ad to Floridians, for instance, would be irrelevant, unnecessary, and could even desensitize the audience to future advertisements.

Particularly for small businesses, geographic segmentation can be used to target specific customers without wasting excess advertising dollars on impressions that will not turn into leads. For example, a local pizzeria could present their ad to only people within the town they are located.

Geographic segmentation is one type of customer segmentation that is extremely easy to implement, as many companies often have their customers‘ addresses from landing pages, or their credit cards.

Customer Segmentation: Demographic B2C

Demographic segmentation is segmenting the market based on certain characteristics of the audience. Characteristics often include, but are certainly not limited to: race, ethnicity, age, gender, religious, education, income, marital status, and occupation.

Also fairly easy to implement, demographic segmentation can be useful in a variety of ways. Luxury brands may choose to market to a demographic consisting of people with household income > $200,000. Colleges may use messaging in their advertising that appeals to 17-22 year olds.

Demographic segmentation is even more efficient when targeting multiple segments at once. Bridge ran an email marketing campaign where we targeted local (geographic) females (demographic: gender) aged 25-50 years old (demographic: age) with a household income of less than $100,000 (demographic: income) and an interest in furniture (behavioral). Targeting several segmentations in conjunction with one another led to over 440 sales for the local furniture retailer, driving more than $180,000 in revenue.

Combining various customer segmentation criteria has the potential to reach a very targeted niche market and drive sales while maximizing the value of every marketing dollar spent.

Customer Segmentation: Demographic B2B

Demographic segmentation can also be used in B2B markets. In this case, common demographics include: company size, industry, role, time working for the company, and more.

Agencies may choose to segment the market by industry when searching for prospective clients. An advertising agency that specializes in auto advertising may segment the market by industry. They can further segment the market by role when opting to contact marketing managers and creative directors.

Again, using multiple demographic criteria while segmenting targets a very specific list of prospective customers.

Customer Segmentation: Psychographic

Psychographic segmentation is far less concrete than both geographic and demographic customer segmentation, as the characteristics used to segment are less ‒tangible‖ than the latter two. Psychographic segmentation divides the market on principles such as lifestyle, values, social class, and personality.

This type of customer segmentation is significantly more difficult to implement than geographic or demographic segmentation. To properly segment the market based on psychographics, marketers must really take the time to get to know their current and past customers. This includes clearly defining the ideal buyer persona for the product or service and developing relationships with the customer base.

A prime example of psychographic segmentation is targeting those who are budget conscious. These people value a good deal and tend to be smart shoppers. Target ads to this segment by appealing to their intrinsic budget-savvy personality.

Discount stores, like Wal-Mart, utilize this tactic nicely. Wal-Mart uses messaging like –Unbeatable Prices‖ and –Best Online Specials‖ because it will resonate with the audience they are trying to reach.

Customer Segmentation: Behavioral

Behavioral segmentation is similar to psychographic segmentation on the basis that it is less concrete than demographic or geographic segmentation. Behavioral segmentation is the practice of dividing consumers into groups according to any of the following attributes: usage, loyalties, awareness, occasions, knowledge, liking, and purchase patterns.

Behavioral segmentation can be used in a variety of ways. When segmenting based on awareness, companies may opt to send their loyal customers one ad campaign, whereas target an additional campaign to prospective customers who have yet to build a relationship with the brand.

When segmenting based on occasions, companies can target consumers who are less price sensitive during times like graduation season and the holiday season.

Behavioral segmentation allows marketers to be more relevant and produce messaging that will resonate well with their desired target market.

Read more on behavioral segmenting here.

Segment Smarter

Each style of customer segmentation carries its own unique set of benefits, but using them in conjunction with one another will create maximum impact. Reach even more specific niche markets by combining different segmentation styles.

Customer segmentation is universally applicable. The tactic can benefit marketers in both small business start-ups and global companies across all industries.

Thus, with billions of people in the world, efficiently utilizing customer segmentation will help businesses narrow the pool and reach the people that they want to be talking to, ultimately driving conversions and revenue.

REQUIREMENTS FOR EFFECTIVE SEGMENTATION

There are many ways to segment a market, but not all segmentations are effective. For example, buyers of table salt could be divided into black and brown hair customers. But hair color obviously does not affect the purchase of salt. Furthermore, if all salt buyers bought the same amount of salt each month, believed that all salt is the same, and wanted to pay the same price, the company would not benefit from segmenting this market.

To be useful, market segments must be

1. Measurable: The size, purchasing power, and profiles of the segments can be measured. Certain segmentation variables are difficult to measure. For example, there are approximately 30.5 million left handed people in the United States, which is nearly the entire population of Canada. Yet few products are targeted toward this left-handed segment.

The major problem may be that the segment is hard to identify and measure. There are no data on the demographics of lefties, and the U.S. Census Bureau does not keep track of left handedness in its surveys. Private data companies keep reams of statistics on other demographic segments but not on left-handers.

2. Accessible: The market segments must be effectively reached and served. Suppose a fragrance company finds that heavy users of its brand are single men and women who stay out late and socialize a lot. Unless this group lives or shops at certain places and is exposed to certain media, its members will be difficult to reach.

3. Substantial: The market segments are large or profitable enough to serve. A segment should be the largest possible homogeneous group worth pursuing with a tailored marketing program. It would not pay, for example, for an automobile manufacturer to develop cars especially for people whose height is greater than seven feet.

4. Differentiable: The segments are conceptually distinguishable and respond differently to different marketing mix elements and programs. If men and women respond similarly to marketing efforts for soft drinks, they do not constitute separate segments.

5. Actionable: Effective programs can be designed for attracting and serving the segments. For example, although one small airline identified seven market segments, its staff was too small to develop separate marketing programs for each segment.

EVALUATING MARKET SEGMENTS

Three Factors must be considered to evaluate a market segment

- Segment Size and Growth
- Segment Structural Attractiveness
- Company objectives and resources

1. Segment Size and Growth

The company must first collect and analyze data on current segment sales, growth rates, and the expected profitability for various segments. It will be interested in segments that have the right size and growth characteristics. But ―right size and growth‖ is a relative matter.

The largest, fastest-growing segments are not always the most attractive ones for every company. Smaller companies may lack the skills and resources needed to serve larger segments. Or they may find these segments too competitive. Such companies may target segments that are smaller and less attractive, in an absolute sense, but that are potentially more profitable for them.

2. Segment Structural Attractiveness

The company also needs to examine major structural factors that affect long-run segment attractiveness. For example, a segment is less attractive if it already contains many strong and aggressive competitors. The existence of many actual or potential substitute products may limit prices and the profits that can be earned in a segment. The relative power of buyers also affects segment attractiveness. Buyers with strong bargaining power relative to sellers will try to force prices down, demand more services, and set competitors against one another—all at the expense of seller profitability. Finally, a segment may be less attractive if it contains powerful suppliers who can control prices or reduce the quality or quantity of ordered goods and services.

3. Company objectives and resources

Even if a segment has the right size and growth and is structurally attractive, the company must consider its own objectives and resources. Some attractive segments can be dismissed quickly because they do not mesh with the company‘s long-run objectives. Or the company may lack the skills and resources needed to succeed in an attractive segment. For example, given the current economic conditions, the economy segment of the automobile market is large and growing. But given its objectives and resources, it would make little sense for luxury-performance carmaker BMW to enter this segment. A company should enter only segments in which it can create superior customer value and gain advantages over its competitors.

TARGET MARKETING

A **target market** is a group of customers within a business's serviceable available market that the business has decided to aim its marketing efforts towards. Target markets consist of consumers who exhibit similar characteristics (such as age, location, income, and lifestyle) and are considered most likely to buy a business's product or service.

Primary target markets are those market segments to which marketing efforts are primarily directed, while secondary markets are smaller or less vital to a product's success.

It is important for a business to identify and select a target market so it can direct its marketing efforts to that group of customers and better satisfy their needs and wants. This enables the business to use its marketing resources more efficiently, resulting in more cost and time efficient marketing efforts. It allows for better understanding of customers and therefore enables the creation of promotional materials that are more relevant to customer needs. Also, targeting makes it possible to collect more precise data about customer needs and behaviors and then analyze that information over time in order to refine market strategies effectively.

Target markets or also known as target consumers are certain clusters of consumers with similar or the same needs that most businesses target their marketing efforts in order to sell their products and services. Market segmentation including the following:

- Geographic – Addresses, Location, Climate, Region.
- Demographic/socioeconomic segmentation – Gender, age, wage, career, education.
- Psychographic – Attitudes, values, religion, and lifestyles.
- Behavioral segmentation – (occasions, degree of loyalty)
- Product-related segmentation – (relationship to a product)

Market segmentation divides the market into four main sub categories – demographic, geographic, psychographic and behavioral segmentation. After doing market segmentation the subdivision market will be much more specific and it is relatively easy to understand consumer demand, enterprises can determine their own service objects according to their business ideology, principles and production technology and marketing power. To aim at the small target market, this is easy to formulate the special marketing strategy. At the same time, in the segments of the market, the information is easy to understand and feedback, once the consumer demand changes, enterprises can rapidly change marketing strategy formulated corresponding countermeasures, in order to adapt to the change of market demand, improve the flexibility and competitiveness of enterprises. Through market segmentation, the enterprise will be able to notice every subdivision market purchasing potential, satisfying degree, competition and comparative analysis, to better meet market needs. Meanwhile, the manpower, material resources and funds of any enterprise are limited. Through market segments, after select the suitable target market, enterprises can focus more on human, financial, and material resources, to fight for the advantages of local market, and then to occupy their own target market.

Segmenting the market allows marketers to better understand the group they are aiming their message at, which is more efficient than aiming at a broad group of people. Segmentation has been an essential part of marketing since industrial development induced mass production, particularly in manufacturing. This caused the focus to shift from customer satisfaction to reduction of production costs. However, as manufacturing processes became more variable, and consumer demand diversified, businesses needed to respond by segmenting the market. Businesses who were able to identify specific consumer needs were able to develop the right message for consumers within particular segments, which gave them a competitive advantage (Wedel & Kamakura, 2012). Since being introduced by Wendell R. Smith in 1956, the theory has become a key concept in marketing.

Smith stated: "market segmentation involves viewing a heterogeneous market as a number of smaller homogeneous markets, in response to differing preferences, attributable to the desires of consumers for more precise satisfaction of their varying wants" (Wedel & Kamakura, 2012). Not establishing a target market will often result in a poor response from consumers or no response at all. The aim of market segmentation for businesses is to gain a competitive advantage by having a better understanding of a specific segment than its competitors. Hunt and Arnett (2004) use the example of Black and Decker power tools, and the way the company segmented the market into three main groups. After identifying each different group, Black and Decker then designed one separate power tool range for each segment, based on their characteristics. "To target each segment, B&D uses specific products lines with different brand names" (Hunt & Arnett, 2004).

- **Demographic segmentation:** It refers to aspects of a market such as age, gender, race, occupation and education. Creating a message aimed at a particular demographic allows the sender to reach a wide range of receivers, while still staying within the confines of a specific segment. "Demographic segmentation almost always plays some role in a segmentation strategy" (Thomas, 1980), and is often paired with other segments to create a slightly more specific segment. A luxury good or service may be marketed to high income earners if the marketer believes that it would be relevant across a large enough portion of the segment to make it profitable for the sender, or create the awareness intended. Certain brands only target working professionals whereas others might only target people who are at high school.
- **Geographic segmentation** divides the market by location. This could be divided into countries, cities, towns and neighborhoods etc. Different geographic locations usually have different aspects to their environment, which allows marketers to appeal to the specific needs of each location. For example, marketers could target tractors specifically towards rural areas where there are likely to be a number of farmers who operate tractors. In contrast, it would not make sense to market those same tractors in an urban area where people are not likely to find them as useful (Thomas, 1980).
- **Psychographic segmentation** relates to dividing a market based on how they live their everyday lives. This could encompass their values, as well as their personality, attitudes and general interests (A. S. Boote, 1984). According to Boote (1984), a popular psychographic segment in marketing is personal values. In the example used, a segment categorized by how much money a consumer is willing to spend on a product could be defined by certain inclinations when shopping. One being – "spending no more money than is necessary…even if it means not buying the best." Another orientation being – "shopping around to get the best price once I have decided on the kind of product I want to buy." By learning about these orientations, the marketer is able to gauge different attitudes of the consumers potentially being targeted.
- **Behavioral segmentation** subdivides the market depending on how consumers behave towards a product. Consumers behave differently depending on occasions and the frequency of usage of a product. For example, a spouse may not usually spend money on flowers for their significant other, but might on Valentine's Day, as it is a special occasion. "Many Marketers believe that behavior variables are the best starting points for building market segments" (Tatum, 2007).

Market segmentation involves subdividing the total market into groups of people who share common characteristics, to which the business can direct specific marketing efforts. Segmenting markets aims to increase sales, market share and profits by better responding to the desires of the different target customer groups. A segmentation variable is a characteristic of individuals or groups used by marketers to divide a total market into segments.[2] Markets can generally be segmented according to four main variables: demographic, geographic, psychographic and behavioral characteristics.

One key to identifying the best target market is assessing brand loyalty involving attitudes and behaviors toward the brand.[9] Buyer groups can be divided into the following: those loyal to the brand, those who buy your brand but also buy from competing brands, those who buy more than one competing brand, those who are regularly loyal to another brand, and new users who are entering for the first time or re-entering.[9] Loyalty, which concerns consumer attitudes in terms of interest in competitive alternatives, overall satisfaction, involvement, and intensity, has become increasingly important in competitive markets.

Demographic: Demographic segmentation is the process of dividing the total market according to particular characteristics such as age, gender, family size, family life cycle, income, occupation, education, religion, race, and nationality. Age and gender are two of the most commonly used demographic variables used to segment markets. Demographics are useful and widely used but should be coupled with other segmentation variables to effectively define a target market.

- **Gender**: Due to physiological differences, males and females have very different product demands and preferences, for example, in clothing, hair care, and other lifestyle items.
- **Age**: Consumers of different ages have different demand characteristics. Young people, for example, might demand bright, fashionable clothing, while the elderly prefer dignified and simple but elegant dress.
- **Income**: Lower income and higher income consumers will be quite different in product selection, leisure time arrangement, social communication and communication and so on.
- **Occupation and education**: Consumers with different occupations education levels desire different products. For example, farmers prefer to buy load-carrying bicycles while students and teachers love light, beautiful style bikes.
- **Family life cycle**: Families can be divided into five stages based on age, marital status, and children. These are newly married, full nest, empty nest and lonely. In different stages, family purchasing power and interest in particular goods and services vary greatly.

Geographic: Geographic segmentation is the process of dividing the total market according to geographic location, for instance region (urban, suburban, rural, city size), climate and land type. Businesses may do this because different regions may present different needs and provide different commercial opportunities. For instance, an ice cream shop would be more likely to start up in a hot location than a cold climate. Identifying regional preferences and attitudes can help campaigns to be better targeted for particular geographic areas.

Psychographic:

Psychographic segmentation is based on personality characteristics, mainly includes the consumer's personality, the life style, the social class, the motive, the value orientation. Businesses can do this by researching consumer's preferences, likes and dislikes, habits, interests, hobbies, values and socioeconomic group. These variables are concerned with why people behave the way they do and are often used effectively in conjunction with other segmentation variables. Psychographics also relates to attitudes toward certain activities like fitness, willingness to take risks, concern for the environment, political opinions, concern with fashion, and innovativeness.

Values and culture are strongly linked to how people think and behave and are important aspects of segmentation variables, especially in global campaigns. Personality traits such as self-esteem, intelligence, and introversion/extroversion also affect the processing and persuasiveness of communication.

Lifestyle: Lifestyle is a particular habit of individuals or groups in the consumption, work and entertainment. Different lifestyles tend to produce different consumer demand and purchase behavior, even on the same kind of goods, there will be different needs in the quality, appearance, style, and specifications. Today, many consumers does not only buy goods to meet the material needs, it is more important to show the performance of their lifestyle, to meet the psychological needs, such as identity, status, and the pursuit of fashion.

Social class: Due to the different social class have a different social environment, different backgrounds, and different characteristics of different consumer preferences demand for goods or services are quite different. Philip Kotler divided American society into six classes.

- **Upper uppers**: Inheritance property, family background has famous celebrities.
- **Lower uppers**: The extraordinary vitality in the occupation or business and get higher income or wealth.
- **Upper middles**: They are extremely concerned about their careers, they are doing special occupations, independent entrepreneurs and managers.
- **Lower middles**: Middle-income white-collar and blue collar workers.
- **Upper lowers**: Low wages, life is just at the poverty line, the pursuit of wealth but no skills.
- **Lower lowers:** The poor often rely on long-term unemployment, or public charity relief to the people. People in different social classes, the demand for cars, clothing, furniture, entertainment, reading, there is a big difference.[10]

Personality: Personality refers to the individual's unique psychological characteristics, these psychological characteristics of individuals and their environment to maintain a relatively consistent and lasting response. Everyone has a unique personality affecting their buying behavior. To distinguish between different personality, there is a strong correlation between the premise and specific personality with the product or brand choice, so personality can become the market segments of the psychological variables.

Behavioral: Behavioral segmentation relates to customers' knowledge, attitude, use of product and the purchase occasion, such as special one-off or regular loyal buying. Identifying what customers want from products and the benefits they seek are important to behavioral segmentation to allow marketers to better design and select products that satisfy these needs.[2]

Many marketers believe that behavioral variables are the best starting point for market segmentation.

- **Opportunity**: It is the time consumers buy and use the product. These opportunities include marriage, divorce, purchase, moving, demolition, admission, study, retirement, travel, tourism, holidays, and so on. It will help improve brand usage and marketing targeted. Such as travel agencies can provide specialized travel services at Christmas, stationery enterprises can begin to provide more learning supplies before new semester.
- **Benefit:** Benefit segmentation is a kind of classification method based on the different interests of consumers from the brand products. Using the benefit segmentation method, what must be determined is the benefit people are seeking for, who are seeking these benefits, how important to them these benefits are, what brand can offer these benefits, what benefits have not been met.
- **User status:** According to the state of use, consumers can be classified into once users, nonusers, potential users, the primary user, occasionally users and often user type, for different type of consumers the brand should use different marketing strategies and methods. The brand who has a high market share can focus more on the potential users to change them to the actual users, such as leading brands; some small businesses can only be used as an often user services.
- **Brand loyalty:** Consumer loyalty is the most valuable wealth of enterprises. Consumers can be divided into four types according to their brand loyalty: True Friends, Butterflies, Barnacles and Strangers.
- **True Friends:** They are the highest level of the four types and the most important part of the customer group. For example, a fan of a Swiss knife, they will keep telling their friends and neighbors the benefits of this knife, their frequency of use. These loyal customers will be free of charge to the brand, and continue to recommend to others. For any business, this is the most popular type of customer.
- **Butterflies:** Butterflies are not particularly loyal, but have spent money on your products and brought in good revenue. An example of a butterfly would be someone that supports Microsoft in general, but buys the iPhone since it happened to be the best available phone on the market.
- **Barnacles:** Here is where some companies, especially B2B companies, find a surprising amount of their customer base falls into. Barnacles are loyal customers, but they are loyal customers that rarely make a purchase, and may not bring in much of a profit. A great example would be a customer that buys one cup of coffee at your coffee shop, and then comes in every day for the next month to use your free Wi-Fi without making a purchase.
- **Strangers**: Due to different reasons, some customers are not loyal to certain brands. Generally speaking, enterprises should avoid targeting strangers, because they will never become a sincere customer, they have little contribution to the development of enterprises.

Market segmentation is a marketing strategy that categories or segments the market based on their characteristics. These categories or segments are demographic, geographic, psychographic, psychological and behavioral (market segmentation). Market segmentation is an effective tool for marketers and is said to be a fundamental concept in modern marketing. It realises that individuals have different motivations, desires, lifestyles and tastes. Market segmentation's effectiveness is in ability to divide a market into segments which management can then use to effectively make further informed decisions. By targeting individuals with similar characteristics, management can create an effective marketing plan for their targeted buyers. They can market their brand and develop and advertise products that relate at deeper and personal level with their targeted customers (market segmentation).

Demographic

Demographic segmentation is the division of the market based on an individual's sex, age, income and life style. Demographic segmentation is used the most frequently by businesses in comparison to the other market segments. This is possibly because of the ability to easily collect this kind of information. The national census of a country collects this kind of information. Demographic segmentation has been challenged with scholars stating that demographic segmentations such as age and sex are poor behavior predictors. However, other studies have showed that demographic segmentation is accurate and effective when analysed as a group rather than looking at an individual's behavior.

Geographic

Geographic segmentation is the division of the market based on an individual's location. This can be either nationally, regionally or locally and was said to be the first kind of segmentation used practically. Geographic segmentation can be used to compare certain habits and characteristics of different locations. UK's National Food survey showed that Scotland's consumption of vegetables and beverages was much lower than England and Wales.

Psychological

Psychological segmentation is the division of the market based on an individual's personality, attitudes and interests. This type of segmentation is based around understanding an individual's traits, habits and reason. Segmenting the market based on personality has been met with controversy. Some scholars state that personality is too complex of a segment and shows disappointing results. Psychological studies have seen trends in certain traits displayed by individuals. Mothers who were difficult to persuade to buy products for their child displayed high-esteem personality traits. In contrast, those portraying low self-esteem were easily influenced. Studies have also shown a correlation between aggression and cigarette smokers in men. This kind of research can prove beneficial to a company segmenting their target market psychologically.

Behavioral

Behavioral segmentation is the division of the market based on how individuals react or respond to a product. Behavioral segmentation relates to a consumer's brand loyalty, usage rate and usage situation, to name a few. Consumer's purchase products primarily for their value or benefits and this are the basic element of this segmentation. Many marketers believe the best starting point for constructing market segmentation is behavioral segmentation. This is understandable as this segment deals an individual's reaction to the product exclusively. Businesses can use an individual's reaction to price drops, technology changes and product status to determine how to market their product or service effectively.

SELECTING TARGET MARKET

1. Analyze the features of your products and services. Determine the benefits that your customersget from your products and how your products fill the needs of those customers. Make a list of those features and needs to make the analysis easier.

2. Look at the types of customers who are likely to purchase your products and use your services. Consider things such as age, gender, income level, marital status, occupation, educational level, gender and ethnic background. Identify which customer categories have the greatest need for your products.

3. Consider the personal characteristics of your potential customers and determine how the customer‘s lifestyle affects a need for your products. Think about the customer‘s interests, values and personality traits. Consider how and when your customer will use your services, as well as the features that appeal to the customer.

4. Look at your competition‘s target market. Analyze the needs that your competition fills for their target market. Identify the areas of the market that have been overlooked by the competition. Seek to fill the void within the market, rather than targeting the same market as your competition.

5. Take a look at your current customer base, if your business is already operating. Identify the products or services that interest your current customers and determine what benefits these customers get from those services.

6. Compile all of your research findings. Use your findings to determine which types of customers have the most need for your services. Keep the market well-balanced so that your target market is not too big or too small.

POSITIONING

Positioning refers to the place that a brand occupies in the mind of the customer and how it is distinguished from products from competitors. In order to position products or brands, companies may emphasize the distinguishing features of their brand (what it is, what it does and how, etc.) or they may try to create a suitable image (inexpensive or premium, utilitarian or luxurious, entry-level or high-end, etc.) through the marketing mix. Once a brand has achieved a strong position, it can become difficult to reposition it.

Positioning is one of the most powerful marketing concepts. Originally, positioning focused on the product and with Ries and Trout grew to include building a product's reputation and ranking among competitor's products. Schaefer and Kuehlwein extend the concept beyond material and rational aspects to include 'meaning' carried by a brand's mission or myth. Primarily, positioning is about "the place a brand occupies in the mind of its target audience". Positioning is now a regular marketing activity or strategy. A national positioning strategy can often be used, or modified slightly, as a tool to accommodate entering into foreign markets.

Positioning is part of the broader marketing strategy which includes three basic decision levels, namely segmentation, targeting and positioning, sometimes known as the S-T-P approach:

The STP approach highlights the three areas of decision-making

> **Segmentation**: refers to the process of dividing a broad consumer or business market, normally consisting of existing and potential customers, into sub-groups of consumers (known as segments)
>
> **Targeting**: refers to the selection of segment or segments that will become the focus of special attention (known as *target markets*).
>
> **Positioning**: 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 STRATEGY

A clear understanding of the market includes target demographics, strength of the competitors' products, how you give value, and your own strengths and weaknesses. After you have a thorough understanding of the landscape of your market, you can decide which positioning strategy will be the most successful for your products.

1. Target Demographics

A product cannot be all things to all people. Products are designed to appeal to a specific demographic group. Several characteristics of a demographic are age, gender, education, and language and income level. For example, Telemundo is a Spanish language television network that offers programming to Latino and Hispanic customers.

A strategy that does a good job of targeting a market segment delivers more value to the consumer, establishes a stronger position against competitors, has more compelling communications and has a higher probability of keeping its customers.

2. Low-Price Strategy

Pricing is a major consideration for most consumers. If a company can convince consumers that they are receiving more value for their money, they will buy the product.

A lower price strategy may require compromises in product quality or to reduce the range of offerings. For example, a car manufacturer might offer a lower price in exchange for a smaller engine and fabric upholstery instead of leather.

Fast-food restaurants are famous for their menus, with many items selling for only $0.99. Consumers that have limited budgets will buy these lower-priced offerings because they believe that the 99 cent items represent good value for the price.

3. High-Price Strategy

Consumers perceive products with higher prices as having superior quality and are worth the price. However, to create this perception in the mind of the consumer, the company must focus its advertising on how its features and benefits are superior to those of its competitors.

The Five Guys hamburger chain has created the impression that their hamburgers and fries are higher quality than McDonald's and Burger King. As a result, Five Guys is able to charge higher prices, and people will stand in line to pay.

4. Distribution

Companies can create the perception of better value by restricting the distribution of their products. Golf equipment manufacturers have certain clubs and balls that are only available in pro shops and are sold at higher prices The golfer believes that the products must be of higher quality because they're not available in Target or Walmart.

5. Competitive Comparisons

The objective of competitive comparisons is to reposition a competitor's products in the minds of consumers. This strategy is helpful when a market has two strong competitors. One company focuses its advertising on showing how its products differ from its competition.

Marketers must determine where and how to position their products in the marketplace. They need to know who is going to buy their products, and why. How significant is the price? Do consumers perceive that the product has sufficient value to justify paying a higher price -- or do they simply want the lowest price possible? These are all questions that a marketer must answer to have a successful positioning strategy.

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UNIT IV

Marketing channels:

Physical distribution involves planning implementing and controlling the physical flows of materials and final goods from points of origin to points of use to meet customer needs at a profit. The main elements of total physical distribution costs of a product are transportation, warehousing inventory carrying receiving and shipping packaging administration and other processing. Experts believe that substantial savings can be affected in the physical distribution area, which has been described, as –the last frontier for cost economic‖ and –the economy‘s dark continent.

Objectives: -

Hitting the right goods to the right places at the right time for the least cost.

Maximum customer service implies large inventories, premium transportation &multiple warehouses, all of which arise distribution cost.
Minimum distribution cost implies cheap transportation, low stocks and few warehouses.

Components of physical distribution:-

Order processing: - Processing deals receiving, recording, filling & assembling of product for dispatch. The possible time required from the data of receipt of an order up to the data of dispatch of goods most is reasonable & as start as possible. Order cycle time must not exceed & days.

Inventory management: - Inventories are reservoirs of goods held in anticipation promptly, inventories are kept to meet market demands promptly, inventory means, money is held temporarily in the form of raw materials component parts supplies in process goods and finished goods, 20% to 30% of the total assets of a firm are locked up-inventory.

Location of warehouses:-*S*torage means holding the stock of goods for a relatively longer period as the goods are not immediately in demand warehouses also provide the following services breaking bulk, dispatch of smaller consignments to retailers, holding the stocks for retailers, regulating the goods

Determining material handling system:- once the layout for the factories design the next task is to develop efficient material handling system to move the material from are stage of production to another stage. Little handling involves moving, packaging, storing, all the materials used by the firm with the development of technology a variety of material handling requirements have been developed to economic the cost reduce the effort of workers improve the safety for men & materials.

Selecting of a method of transport system: - marketers need to take an interest in their company‘s transportation decisions. The choice of transportation carries affects the pricing of products, delivering performance and condition of the goods when they arrive all of which will affect customer satisfaction. In shipping goods to its ware houses, dealers and customers. The company can choose among 5 transportation models: trail, truck, water, pipeline and air.

Distribution channel functions:

Information: Gathering and distributing marketing research and intelligence information about actor and faces in the marketing environment immediate for planning and aiding exchange.
Promotion: Developing and speeding persuasive communication about an offer.
Contact: Finding and communication with prospective buyers.
Negotiation: Reaching an agreement on price and other terms of the offer so that ownership or possession can be transferred.
Physical distribution: Transporting and storing goods.
Matching: Shaping and fitting the offer to the buyer‘s needs, including activities such as manufacturing, grading, assembling and packing.
Financing: Acquiring and using funds to cover the cost of the channel work.
Risk taking: Assuming the risks of carrying out the channel work

Factors of distribution channel:

- Nature of market
- Nature of product
- Buying habits of the customer
- Competition
- Financial resources
- Channel cost

Role of Distribution channel: Besides making the product available to the customer, middlemen perform several other roles and functions. Some of these key roles are summarized below.

1. Information: Middlemen have a role in providing information about the market to the manufacturer. Developments like changes in customer demography, psychograph, media habits and the entry of a new competitor or a new brand and changes in customer preferences are some of the information that all manufacturers want. Since these middlemen are present in the market place and close to the customer they can provide this information at no additional cost.

2. Price stability: Maintaining price stability in the market is another function a middlemen performs. Many a time the middlemen absorb an increase in the price of the products and continue to charge the customer the same old price. This is because of the intra middlemen competition. The middlemen also maintain price stability by keeping his overheads low.

3. Promotion: Promoting the product/s in his territory is another function that middlemen perform. Many of them design their own sales incentive programmes, aimed at building customer traffic at their outlets.

4. Financing: Middlemen finance manufacturer‘s operations by providing the necessary working capital in the form of advance payments for goods and services. The payment is in advance even though credit may be extended by the manufacturer, because it has to be made even before the products are bought, consumed and paid for by the ultimate customer.

5. Title: Most middlemen take the title to the goods, services and trade in their own name. This helps in diffusing the risks between the manufacturer and middlemen. This also enables middlemen to be in physical possession of the goods, which in turn enables them to meet customer demand at the very moment it arises.

Types of channels:

Producer --> Customer

The producer sells the goods or provides the service directly to the consumer with no involvement with a middle man such as an intermediary, a wholesaler, a retailer, an agent, or a reseller.

Producer --> Retailer --> Consumer

Retailers, like Walmart and Target, buy the product from the manufacturer and sell them directly to the consumer. This channel works best for manufacturers that produce shopping goods like, clothes, shoes, furniture, tableware, and toys. Since consumers need more time with these items before they decide to purchase them, it is in the best interest of the manufacturer to sell them to another user before it gets into the hand of the consumers

Producer --> Wholesaler/Distributor --> Customer

Wholesalers, like Costco, buy the products from the manufacturer and sell them to the consumer. In this channel, consumers can buy products directly from the wholesaler in bulk. By buying the items in bulk from the wholesaler the prices of the product are reduced. This is because the wholesaler takes away extra costs, such as service costs or sales force costs, that customers usually pay when buying from retail; making the price much cheaper for the consumer.

Producer --> Agent/Broker --> Wholesaler or Retailer --> Customer

This distribution channel involves more than one intermediary before the product gets into the hands of the consumer. This middleman, known as the agent, assists with the negotiation between the manufacturer and the seller. Agents come into play when the producers need to get their product into the market as quickly as possible.

Managing direct and on-line marketing.

Introduction: 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

Advertising and sales promotions

Introduction: –Advertising is a no personal communication of information usually paid for and usually persuasive in nature about products, services or ideas by identified sponsors through the various media." Explain.

Definition of Advertising - "Advertising is the non-personal communication of information usually paid for and usually persuasive in nature about products, services or ideas by identified sponsors through the various media." Now let's take this statement apart and see what it means.

Non-personal: Basically a sale is done either personally or non-personally. Personal selling requires the seller and buyer to get together. Personal selling has its on advantages and disadvantages. Whereas advertising is non-personal selling. Personal selling has many advantages over advertising like direct communication, bargaining, enough time to discuss in detail about the product, seller can easily locate potential buyer. Advertising has none of the advantages of personal selling, very little time to present sales message, message is cannot be changed easily.

Communication: Communication means passing information, ideas, or feelings by a person to another. Communication uses all the senses like smell, touch, taste, sound, sight. Only two senses - sound and sight are really useful in advertising. In advertising, what appears is everything the writer thinks the customer needs to know about the product in order to make a decision about the product. That information will generally be about how the product can benefit the customer.

Paid For: Advertiser has to pay for the creation of ad and for placing it in the media. Cost of ad creation and cost of time/space in the media must be paid for. Cost of advertising depends on TRP of media, reach of media, and frequency of ad to be displayed.

Persuasive:"Persuasive" stands to reason as part of the definition of advertising. The basic purpose of advertising is to identify and differentiate one product from another in order to persuade the consumer to buy that product in preference to another.

Identified Sponsors: Identified sponsors means whoever is putting out the ad tells the audience who they are. There are two reasons for this: first, it's a legal requirement, and second, it makes good sense. Legally, a sponsor must identify himself as the sponsor of ad. By doing so the sponsor not only fulfils the legal requirements, but it also makes a good sense, if the sponsor doesn't do so, the audience may believe that the ad is for any competitor's product, thus wasting all the time and money in making and placing the ad

Functions of Advertising -

1. To distinguish product from competitors' products: There are so many products of same category in the market and they competes with each other, advertising performs the function of distinguishing advertiser's product from competitors.

2. To communicate product information: Product related information required to be communicated to the targeted customers, and advertisement performs this function.

3. To urge product use: Effective advertisement can create the urge within audience for a product.

4.To expand product distribution: When the market demand of a particular product increases, the number of retailer and distributor involved in sale of that product also increases, hence product distribution get expanded.

5. To increase brand preference: There are various products of different bands are available, the brand which is effectively and frequently advertised is preferred most.

6. To reduce overall sale cost: Advertising increases the primary demand in the market. When demand is there and the product is available, automatically the overall cost will decrease, simultaneously the costs of sales like distribution cost, promotional cost also get decreased.

Classification of Advertising –

A) Classification on the basis of function

- **Informative advertising:** This type of advertising informs the customers about the products, services, or ideas of the firm or organization.
- **Persuasive advertising:** This type of advertising persuades or motivates the prospective buyers to take quick actions to buy the products or services of the firm. Example: –Buy one, get one free‖.

- **Reminder advertising:** This genre of advertising reminds the existing customers to become medium or heavy users of the products or services of the firm that have been purchased by them at least once. This type of advertising exercise helps in keeping the brand name and uses of the products in the minds of the existing customers.

B) Classification on the basis of region

Advertisements can also be classified on the basis of the region, say:

- **Global advertising:** It is executed by a firm in its global market niches. Reputed global magazines like Time, Far Eastern Economic Review, Span, Fortune, Futurist, Popular Science. Cable TV channels are also used to advertise the products through out world. Supermodels and cinema stars are used to promote high-end products Examples: Sony, Philips, Pepsi, Coca Cola, etc.
- **National advertising:** It is executed by a firm at the national level. It is done to increase the demand of its products and services throughout the country. Examples: BPL (Believe in the best). Whirlpool Refrigerator (Fast Forward Ice Simple) etc.

- **Regional advertising:** If the manufacturer confines his advertising to a single region of the country, its promotional exercise is called Regional Advertising. This can be done by the manufacturer, wholesaler, or retailer of the firm. Examples: Advertisements of regional newspapers covering those states or districts where these newspapers are circulated. E.g. The Assam Tribune (only for the NE region) etc.

- **Local advertising:** When advertising is done only for one area or city, it is called Local Advertising. Some professionals also call it Retail Advertising. It is sometime done by the retailer to persuade the customer to come to his store regularly and not for any particular brand. Examples: Advertisements of Ooolala, Gupshup (Local FM channels) etc.

C) Classification on the basis of target market

Depending upon the types of people who would receive the messages of advertisements, we can classify advertising into four subcategories:

- **Consumer product advertising:** This is done to impress the ultimate consumer. An ultimate consumer is a person who buys the product or service for his personal use. This type of advertising is done by the manufacturer or dealer of the product or service. Examples: Advertisements of Intel, Kuttons (shirt), Lakme (cosmetics) etc.

- **Industrial product advertising:** This is also called Business-to-Business Advertising. This is done by the industrial manufacturer or his distributor and is so designed that it increases the demand of industrial product or services manufactured by the manufacturer. It is directed towards the industrial customer.

- **Trade advertising**: This is done by the manufacturer to persuade wholesalers and retailers to sell his goods. Different media are chosen by each manufacturer according to his product type, nature of distribution channel, and resources at his command. Hence, it is designed for those wholesalers and retailers who can promote and sell the product.

- **Professional advertising:** This is executed by manufacturers and distributors to influence the professionals of a particular trade or business stream. These professionals recommend or prescribe the products of these manufacturers to the ultimate buyer. Manufacturers of these products try to reach these professionals under well-prepared programmes. Doctors, engineers, teachers, purchase professionals, civil contractors architects are the prime targets of such manufacturers.

- **Financial advertising**: Banks, financial institutions, and corporate firms issue advertisements to collect funds from markets. They publish prospectuses and application forms and place them at those points where the prospective investors can easily spot them.

D) Classification on the basis of desired responses

An ad can either elicit an immediate response from the target customer, or create a favorable image in the mind of that customer. The objectives, in both cases, are different. Thus, we have two types of advertising under this classification.

- **Direct action advertising**: This is done to get immediate responses from Customers. Examples: Season's sale, purchase coupons in a magazine.

- **Indirect action advertising:** This type of advertising exercise is carried out to make a positive effect on the mind of the reader or viewer. After getting the advertisement he does not rush to buy the product but he develops a favorable image of the brand in his mind.

- **Surrogate advertising:** This is a new category of advertising. In this type of Promotional effort, the marketer promotes a different product. For example: the promotion of Bagpiper soda. The firm is promoting Bagpiper Whisky, but intentionally shows soda. They know that the audience is quite well aware about the product and they know this fact when the actor states, "Khoob Jamega Rang Jab Mil Baithenge Teen Yaar ... Aap ... Main, Aur Bagpiper").

E) Classification on the basis of the media used in advertisement

The broad classification based on media is as follows:

- **Audio advertising:** It is done through radio, P A systems, auto-rickshaw promotions, and four-wheeler promotions etc.
- **Visual advertising:** It is done through PoP displays, without text catalogues, leaflets, cloth banners, brochures, electronic hoardings, simple hoardings, running hoardings etc.
- **Audio-visual:** It is done through cinema slides, movies, video clips, TV advertisements, cable TV advertisements etc.
- **Written advertising:** It is done through letters, fax messages, leaflets with text, brochures, articles and documents, space marketing features in newspapers etc.
- **Internet advertising:** The World Wide Web is used extensively to promote products and services of all genres. For example Bharat Matrimony, www.teleshop.com, www.asianskyshop.com etc.
- **Verbal advertising:** Verbal tools are used to advertise thoughts, products, and Services during conferences, seminars, and group discussion sessions. Kinesics also plays an important role in this context.

Advertisement management process-5Ms

1. Mission: What‘s the mission of your advertising campaign? An advertiser must understand the underlying reason for the campaign, and its targets; ensure the brief you receive includes strong information on this. There may be more than one mission: a single campaign can aim to increase sales, improve brand awareness, and develop brand loyalty. When considering the appropriate channel and visual design, for your campaign, it will help the ad to be focused and successful if you select one of these as the core mission and make others the sub-goals.

2. Money: Advertising doesn‘t come cheap, especially if blended across printed and digital channels. But for an advertising campaign to give useful metrics on return-on-investment, it‘s important to establish an advertising budget ahead of time, and stick to it. If you‘re advertising a mass market product, then you can consider using the most expensive (high-exposure and high-frequency) medias: national television and radio advertisements. Any expenses incurred should be calculated to pay for themselves in terms of increased sales, so understand the product and budget accordingly.

3. Message: The message is the memorable part of your advertising campaign: ensure you create a tagline and tone which is geared to the target market. It must pitch both your product and your brand accurately and attractively. Consider hiring a creative agency to work with you in creating relevant, engaging messages that can be adapted across all media channels. Also consider running a pre-test on a small sample audience to be sure the message response is what you‘re hoping for.

4. Media: Media considerations are: the different channels you‘ll be using in your advertising campaign, the percentage split between the usage of these media types, and the date and length of period your advertisements will be available across different platforms.

Different media channels include internet (encompassing banner ads, videos, email marketing and more), television, print, and radio. Select the media based on reaching your target audience: where are they (geographically and also in terms of their preferred media), and what is the most high-impact way to grab their attention?

5. Measurement: The measurement section assesses the reach of the campaign‘s core mission, and analyses whether each section of media being used is contributing to this goal

Managing the sales force.

Sales Force Objectives

- A Sales Force will have one or more of the following tasks.
- Prospecting – search for leads
- Targeting – allocation of time between prospects and customers
- Communicating – info about company and products
- Selling – Approach, presentation, answering objections, closing sales
- Servicing – consulting, technical, financing, etc.
- Info gathering – market research
- Allocating – scarce products to customers.

Sales Force Strategy

- Ways sales reps work with customers to maintain company competitive edge:
- Rep to buyer – discuss issues with a prospect or customer
- Rep to buyer group – rep gets to know as many members of buyer group as possible
- Sales team to buyer group –
- Conference selling – company sales rep and resource group to customer to talk big problems or opportunities
- Selling Seminar – Company team to group of buyers/customers
- Once company has strategy can go with direct sales force or contractual force. Direct sales force is standard sales force with office and field reps, while contractual reps are purely commission sales forces.

Sales Force Structure

- Territorial – each rep gets own piece of land to work equally divided by workload or potential – result is no customer confusion as to who the rep is
- Product – generates specific product knowledge

- Market – industry or customer type delineation
- Complex – combination

Sales Force Size

- Depends upon the of customers you want to reach then:
- Group customers into classes by annual sales volume
- Establish desired call frequency
- Classes size time freq. = workload
- Determine # of calls a rep can make a year
- Workload divided by rep calls per year = number of reps needed
- Sales Force Compensation
- Salary. Straight salary provide reps secure income, reps more willing to do non selling activities, reps have less incentive to overstock customers, lower company administrative activities and lowers turnover.
- Commissions. Straight commission attracts higher sales performers, provides more motivation and requires less supervision, while controlling selling costs.
- Benefits
- Expense allowance

Managing the Sales Force

Recruiting and Selecting Reps

1. Determine what you want your sales people to be like
2. Recruitment
3. Select the best applicants
4. Train the new reps – vital to protect company image as well as get orders – Program should have the goals of having reps:

- know and identify with the company – what has the company done
- know the company‘s products
- know the customers, and competition characteristics
- know how to make an effective presentation
- Understand field procedures and responsibilities – dividing time between active accounts and prospecting etc.

Supervising the Sales Force

- **Develop norms for customer calls** – and how much sales volume should be generated per call
- **Develop Norms for prospect calling** – needed to motivate reps to look for new business Ensuring efficient use of time and assets – direct supervision or training Motivating Sales Reps – often not too difficult as sellers are usually self motivated. Supervisors must work through expectancy theory: 1) Hard work will get sales -2) Sales will get you a reward, and 3) you will like the reward. All three are linked.

- **Sales Quotas –** three schools: High quotas to spur effort, Modest – to achieve buy-in, Variable – to account for differences between sales people.

- **Supplemental Motivators** – sales meetings and contests provide social occasion to meet, share ideas and accomplishments, or get extra effort from the force.

Evaluating Sales Reps

Sources of information

- **Sales reports** – give activity plan and activity results

- **Call reports** – give activities of reps and status of various accounts and prospects

- Other reports like expense account info, new bus reports, lost bus report economic conditions.

Formal evaluation

- **Current to past Sales performance** – did you sell more or less, and of what product.

- **Customer Satisfaction reports –**

- **Qualitative evaluations** – reps knowledge of company or products, personality characteristics of reps, knowledge of the laws that pertain to the rep. Principals of Personal Selling

- **Prospecting and Qualifying** – the art of finding good leads – cold calls to asking current customer for names to joining professional organizations
- **Pre-approach –** learn about the prospects business and decided the best approach to take

- **Approach –** know how to get off to a good start/get a foot in the door Presentation get the customers interest, show benefits and features o use canned approach formulated approach – uses buyers needs and desires to pull out the right formula to use in the presentation need satisfaction approach – listen and then use problem solving skills to fix customers problems

- **Overcoming Objections** – Psychological or logical – sales rep must handle any type. Logical are the easiest if the product can handle the issue. Both types may require negotiation skills.

- **Closing** – ask for the sale

- **Follow up and Maintenance** – ensures you will be allowed back into the customer‘s office. Builds both rep and company reputations

Advertisements are meant for the masses and people relate themselves with this medium. Thus, for understanding its responsibilities towards the public, its positive and the negative aspects needs to understood.

Positive and Negative Aspects of Advertising: As like any other medium of mass communication, advertising also have positive as well as negative aspects. Advertising increases sales, advertising makes the product popular, advertising helps in brand formation, and advertising makes the public aware with the available brands or products. Advertising is the largest financial source for mass media. Advertising is sometimes subjected to wide criticism. Many of the advertisements are criticized as deceptive or manipulative. Other criticism focus on the social or environmental impact of advertising, the effect of advertising on our value system, commercial clutter, stereotypes, and offensiveness.

Ethics in Advertising: Ethics means a set of moral principles which govern a person's behavior or activities. Ethics in advertising means a set of well defined principles which govern the ways of communication taking place between the seller and buyer.

Advertising benefits advertisers in many ways; similarly it makes the public aware with the available brands so that they can make informed choice among the available products or brands. But, some of the advertisement doesn't match the ethical norms of advertising, such ads causes political, cultural, or moral harm to society. Ethical ad is one which is in the limit of decency, make no false claims, and doesn't lie. Nowadays advertisements are highly exaggerated and a lot of puffing is used. .

Ethical and Moral principles of Advertising: Advertisers must have sufficient knowledge of ethical norms and principles, so that they can understand and decide what is correct and what is wrong. We can identify several ethical and moral principles that are particularly relevant to advertising. We are speaking briefly of three as follows:-

1. Truthfulness in advertising;
2. The dignity of the human person; and

3. Social responsibility.

Truthfulness in Advertising: Truth in advertising promotes a highly efficient, functioning economy by: Discouraging deceptive business practices; Encouraging the provision of accurate and truthful information; Enhancing competition by ensuring a level playing field; and Enabling informed consumer choice.

Advertising and Social Responsibility

Advertising has a strong social responsibility, independent of its known commercial responsibility. Advertisers should have a deeper sense of social responsibility and should develop their own set of ethical and social norms taking into consideration the values of their society.

UNIT V

Pricing decisions

Introduction: The Company first decides where it wants to position its market offering.
The clearer a firm‘s objectives, the easier it is to set price.
Five major objectives through pricing:

- Survivalness
- Maximum current profit,
- Maximum market share,
- Maximum market skimming,
- Product-quality leadership.

The following are the price setting methods.

Market pricing / cost pricing: - The most elementary pricing method is to add standard markup to the cost of the product. Construction companies omit job bids by estimating the total project cost and adding a standard markup for profit. Lawyers, accountants and other professions typically price by adding a standard markup to their costs.

Target return pricing: - Another cost oriented pricing approach is target return pricing. The firm tries to determine the price that is at would yield the target rate of return on investment. This pricing method is also used by public utilities that are constrained to make a fair return on their investment.

Perceived value pricing: - It fits in well with modern product positioning thinking. The key to perceive value pricing is to accuracy determine the market‘s perception of the offer is value. Market research is needed to establish the market perception of value as a guide to effective pricing. They use the non-price variables in the marketing mix to build up perceived value in the buyers‘ minds.

Going rate pricing: - In going rate pricing, the firm bases its rice largely on competitor‘s prices, with less attention aid to its own cost or demand. The firm might change the same, more or less than its major competitors. Going rate pricing is quite popular. Where costs are difficult to measure or competitive response is uncertain firms feel that the going rice represents a good solution.

Sealed- bid pricing: - Competitive oriented pricing also dominates where firms bid for jobs. The firm bases its price on expectations of who competitors will rice rather than on a rigid relation to the firm a costs or demand. The firm wants to win the contract and this requires pricing lower than the other firms. The higher its sets its rice above the costs the lower its chance of getting the contract.

PRICE STRATEGIES:-Companies do not set a single price but set a pricing structure that covers different products and items in the line and reflect variations in geographical demand and costs market segment intensity of demand, purchase timing and other factors.

Geographical pricing: - Geographical pricing involves company in deciding how to price its products to customers located in different parts rice of the country. Companies have evolved few different approaches to geographical pricing strategy. They are as follows.

Uniform delivered pricing.
P Basic-point pricing.
Zeno pricing.

Promotional pricing: - Under certain circumstances, companies will temporality price their products below the list price and sometimes even below cost promotional pricing takes several forms.

Loss leader pricing: - Here supermarkets and departments stores drop the price on well-known brands to stimulate additional traffic.

Special event pricing: - This will be used by sellers in certain seasons to draw in more customers. Thus lines are promotionally priced every January to attract shopping-weakly customers into the stores.

Cash rebates: - consumers are offered cash rebates to get them to buy that manufacturer‘s product, with in a specified time period. The rebate can help the manufacturer clean inventories without having to cut the list price.

Low-interest financing: - This is another tool for stimulating sales without lowering the price.

Psychological discounting: - This involves putting artificially high rice on a product and then offering it at substantial savings.

Warranties and service contracts: - The Company can promote sales by adding a free warranty offer or serves contract. This is a way reducing the price.

Discriminatory pricing: - Discriminatory pricing describes the situation where the company sells a product or service at two or more prices that do not reflect a proportional deference in costs. It takes several forms.

Customer segment pricing: - Here different customer groups are charged different prices for the same products or service museums will change a lower admission fee to students and senior citizens.

Product form pricing: - Here different versions of the product are priced differently but not proportionality to their respective costs.

Image pricing: - Some companies will price the same product at two different levels based on image differences.

Location pricing: - Here different locations are priced differently even through the cost of offering each location in the same. A theater varies its seat prices because of audience references for curtain locations.

Time pricing: - Here prices are varied seasonally by the day and even by the hour public utilities vary their energy raises to commercial users by time of day and weekend versus week day.

Product mix pricing: - Price-setting logic has to be modified when the product is a part of a product-mix. In this case, the firm searches for a mutual set of prices that maximize the profits on the total product mix.

Process of pricing decision making:

- Setting the pricing objectives
- Determine demand
- Estimating cost
- Analyzing competitive price
- Selecting the price method
- Select final price

Retailing, trends in retailing,

Introduction: Retailing includes all activities in selling goods or services directly to final customers for personal and non business use.

Why is retailing important?

Retailers add value to products by making it easier for manufacturers to sell and consumers to buy. It would be very costly for consumers to locate, contact and make a purchase from a manufacturer every time. With out retailing there is no sale to end user for personal purpose

Push up sale is not possible without retailing. It is the last activity of any selling strategy to earn revenue Retailers also provide service and information back-up that makes buying less risky and more fun in an environment ,Retailers may provide many extra services, from personal shopping to gift wrapping to delivery, that increase the value of products and services to consumers Corporate retailing helps for brand building

Classification of retailers based on:

- Product type
- Relative price
- Control of outlets
- Type of store cluster

Product Type

- Specialty Stores
- Departmental Stores

- Supermarkets
- Convenience Stores
- Superstores
- Combination stores
- Hypermarkets

Specialty Stores:

- Carry a typical type of products
- With a deep assortment within that type
- Specialty stores are flourishing increasing use of market segmentation, market targeting and product specialization

Departmental Stores: Carries a wide variety of product types .Each type is operated as a separate department managed by specialist buyers and merchandisers

Supermarkets: Are large, low-cost, low-margin, high volume, self-service stores that carries a wide variety of food, laundry, and household products

Convenience Stores:

- Are small stores that carry a limited line of high-turnover convenience goods
- Such recognized stores are limited in India but our milk shops, selling related products are in the same category
- Convenience Stores
- Such stores are located near residential areas and remain open long hours, seven days a week
- The convenience stores may charge high prices to make up for higher operating costs and lower sales volume , but they satisfy an important consumer need
- Superstores:
- Are larger than the conventional supermarket
- Many leading chains are moving toward superstores because their wider chain assortment allows prices to be 5-6% higher than conventional markets

Combination stores:

Are stores are combined with two related needs like food drug stores, hospital and medicine shop , puncture and tyre shop etc.

Hypermarkets:

Hypermarkets combine discount, supermarket and warehouse retailing. They operate like a warehouse. They usually give discounts to customers who carry their own heavy appliances and furniture out of the store

- Relative prices
  - Discount stores
  - Off-price retailers
  - Chain stores
- Discount stores:
- Sell standard merchandise at lower prices by accepting lower margins and higher volume
- Occasional discounts or specials do not make a store a discount store, a true discount store regularly sells its merchandise at lower prices, offering mostly national brands, not inferior goods

Off-price retailers:

- They obtain a changing and unstable collection of higher-quality merchandise, often leftover goods, overruns, and irregulars at reduced prices from manufacturers or other retailers. E.g. factory outlets, independent outlet and ware house clubs. They buy at less than regular wholesale and charge customers less than retail
- Chain stores:
  Are two or more outlets are commonly owned and controlled, employ central buying and merchandising, and sell similar type of merchandise

- Control of outlets
- Corporate chain
- Voluntary chain
- Retailer cooperative
- Franchise organization
- Merchandising conglomerate

4. Types of store cluster

- Central business districts
- Shopping centre
- Non-Store Retailing
- ―Non-store retailing now accounts for more than 15% of all consumer purchases, and it may account for over 1/3 of all sales by the end of the century‖

Non-Store Retailing

- Direct marketing
- Direct selling
- Automatic vending

Levels of service
Self-service
retailers

- Convenience goods e.g. super markets

- Nationally branded, fast moving consumer goods e.g. Mc Donald‘s outlets Limited –service retailers

- Provide more sales assistance
- Shopping goods about which customer need information
- Their increased operating costs result in higher prices
- Full-service retailers

- Specialty stores
- First class department stores

- Have sales people to assist customer in every phase of shopping process
- Provide liberal polices like various credit plans, free delivery, home servicing

Rural Marketing.

Introduction: In an economy like India where around 70% of the population lives in villages, Rural Marketing as a subject is being accepted with open arms across B-Schools and Universities. However, the problem is that not many people understand or can define the actual meaning of Rural Marketing. The term, Rural Marketing, means different things to different people. Off late with the opening up of the Indian Economy and the huge opportunity identified by global giants in rural India now demands serious attention towards the subject. One of the closest definitions of Rural Marketing states Rural Marketing is the process of taking region specific goods and services to the rural market leading to exchanges between urban and rural markets simultaneously satisfying consumer demand and achieving organizational objectives.

Factors responsible for boom in Rural Marketing in India:

1. **Increasing Population of India:** The growth of Indian population to being the world‘s second most inhabited country with 1.252 billion (2013) residing in the nation has propelled increasing demand for consumer goods, services, banking facilities etc- And as stated above, with 70% of this population living in rural areas, a spike in the need for creating rural market specific strategies is inevitable.

2. **Rise in Rural Income:** India turns to be a $1.7 trillion economy with per capital income soaring by 10.4% in 2013-14 to Rs 74,920, the purchasing power of both rural and urban India is growing every year.

3. **Government Rural Development Programs**: Various initiatives taken by the Indian government has boosted growth the rural economy. Department of Rural development under the Ministry of Rural Development has initiated many schemes which has been facilitating and boosting the growth of rural India. Mahatma Gandhi National Rural Employment Guarantee Act, Swarnjayanti Gram Swarozgar Yojna, Pradhan Mantri Gram Sadak Yojna, Indira Awaas Yojana and National Social Assistance Programme are the few successful government schemes.

4. **Development of Transport and Communication Networks**: Easy & quick access to information and to nearby developed cities has made the rural areas dynamically connect to their urban counterparts.

2. **Foreign Investments**: Foreign investments in NGOs, working towards the betterment of rural areas, have gradually increased in the country. Consequently, there has been a steadyriseinruralgrowth.