AAM Business School

MARKETING MANAGEMENT

I SEMESTER

(Approved by Alagappa University)

COURSE SYLLABUS

14 MARKETING MANAGEMENT

Module I:

Understanding the Marketing Management -Introduction to Marketing Management: Introduction, Market and Marketing, the Exchange Process. Core Concepts of Marketing, Functions of Marketing, Importance of Marketing, Marketing Orientations.

Formulating marketing strategy: The Marketing process: Introduction, Marketing Mix-The Traditional 4Ps, The Modern Components of the Mix- The Additional 3Ps,

Module II:

Understanding the predominance of 7 Ps in marketing; Developing an Effective Marketing Mix, Marketing Planning, Marketing Implementation and Control

Module III:

STP-Overview of branding – Segmentation, Targeting and Positioning: Introduction, Concept of Market Segmentation, Benefits of Market Segmentation, and Requisites of Effective Market Segmentation. POP/POD and m-com and e-com.

Product Management Product Management: Decisions, Development and Lifecycle Strategies: Introduction, Levels of Products, Classification of Products, Product Hierarchy, Product Line Strategies, Product Mix Strategies, Packaging and Labelling, New Product Development, Product Life Cycle (PLC)

Brand and Branding Strategy: Introduction, Brand and Branding, Advantages and disadvantages of branding, Brand Equity, Brand Positioning, Brand Name Selection, Brand Sponsorship, Brand Development

Module IV:

Pricing: Introduction, Factors Affecting Price Decisions, Cost Based Pricing, Value Based and Competition Based Pricing, Product Mix Pricing Strategies, Adjusting the Price of the Product, Initiating and Responding to the Price Changes

Promotion Mix Promotion Management-Managing Non-Personal Communication Channels: Introduction, Integrated Marketing Communications (IMC), Communication Development Process, Budget Allocation Decisions in Marketing Communications, Introduction to Advertising, Fundamentals of Sales Promotion, Basics of Public Relations and Publicity, Direct Marketing

Module V:

Placement - Introduction, Need for Marketing Channels, Decisions Involved in Setting up the Channel, Channel Management Strategies, Introduction to Logistics Management, Introduction to Retailing, Wholesaling

Text Book:

Marketing Management: A South Asian Perspective, Philip Kotler, Abraham Koshy, MithileswarJha and Kevin Lane Keller

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Introduction to Marketing Management:

Marketing management is the process of decision making, planning, and controlling the marketing aspects of a company in terms of the marketing concept, somewhere within the marketing system.

Traditionally, markets were viewed as a place for exchange of goods and services between sellers and buyers to the mutual benefit of both. Today, marketing is exchange of values between the seller and the buyer. Value implies worth related to the goods and services being exchanged. The buyer will be ready to pay for the goods if they have some value for him.

Marketing is the business function that controls the level and composition of demand in the market. It deals with creating and maintaining demand for goods and services of the organization.

Marketing management is “planning, organizing, controlling and implementing of marketing programmes, policies, strategies and tactics designed to create and satisfy the demand for the firms’ product offerings or services as a means of generating an acceptable profit.”

From the above definitions, we can conclude that Marketing Management is the process of management of marketing programmes for accomplishing organizational goals and objectives.

Market and Marketing:

Market refers to a place where buyer and sellers can come in contact with each other either directly or indirectly, so as to trade goods and services for value. Its main function is to determine the price of the commodity, with the help of demand and supply factors.

The term marketing is derived from the term market, and implies a process that involves some activities which creates value for customers, clients and society as a whole. It encompasses the promotion of business or its products/services so as to increase sales and thus the profit.

Types of Marketing

Traditional marketing involves offline channels such as face-to-face selling, print advertisements, direct mails, billboards, television and radio to grab the target market's attention.

Digital marketing uses the internet to reach its markets via websites, social media, video sites, emails, mobile phones and apps and forums.

Social media marketing is a popular medium for businesses to connect with and engage their audiences and is an effective brand builder and market research tool. This works best when used in conjunction with other marketing strategies.

Mobile marketing. Considered the third screen, mobile is one of the main marketing channels today, what with consumers getting their information on the go.

Evolution of Marketing Concepts

Here is a brief overview of the evolution of marketing concepts.

Production concept – an operations-based concept where the consumer expects products that are easily available and affordable. Here the business focuses on production efficiency, lowering costs and mass distribution. This concept works in developing economies where the need is more for the product than the features it offers.

Product concept – a consumer-oriented concept where consumers expect products that are superior, high-performance and with unique features. This concept assumes that customers are likelier to be loyal when the product meets all their expectations and so, the business strives to offer innovative products consistently.

Selling concept– where the business believes that its products will sell only through active promotion and selling and the customer will not respond until pushed. In short, it is a matter of the business trying to sell what it makes rather than make products to meet the market's needs.

Marketing concept – This concept is radical, compared to the above and focuses on the target market, its needs and wants and a desire to be better than the competition while delivering value to its market. Unlike the earlier concepts that rely on push marketing, it believes in pull marketing by creating brand loyalty.

While the sales concept is seller-oriented, the marketing concept is buyer-oriented.

A fifth concept has evolved today, the societal marketing concept – is the ideal situation where, along with the focus on the target market's wants and needs and delivering better value than its competition, the business also strives to preserve the well-being of its target market and the society as a whole. This takes into consideration environmental and natural resource preservation and minimizing the carbon footprint

Marketing vs Selling

We often use the terms marketing and selling synonymously. However, it is important to understand the differences between marketing and selling, for any marketing plan to be successful.

Simply stated, selling is product/seller-oriented and aims at market share and profit maximization. The business assumes that consumers are waiting for its products and once production is over, the sales force must sell everything using aggressive sales methods.

In contrast, the marketing approach is buyer-oriented. It encompasses a broader range of activities that include the entire process of:

- Market research to uncover customer needs,
- Product planning and development –to make products that meet and satisfy customer needs.
- Packaging, advertising and promotion – to create awareness and for brand-building
- Pricing and distribution –for long term revenue generation

In short, although the aim of marketing and sales is to increase revenue, marketing aims at creating value for the customer and sees the customer as the reason for its existence. This calls for a marketing plan based on the specific needs of the business.

What Is Market Orientation?

Market orientation is an approach to business that prioritizes identifying the needs and desires of consumers and creating products that satisfy them.. Market orientation is a strategic focus on identifying consumer needs and desires in order to define new products to be developed.

Established businesses like Amazon and Coca-Cola use market orientation principles to improve or expand their products or services..

Advantages of Market Orientation

Market orientation often includes improvements in customer service and product support geared to solving concerns raised by consumers. This helps ensure customer satisfaction remains high with the company as a whole and promotes brand loyalty and positive word-of-mouth advertising.

At times, market orientation may reveal customer desires that are simply not cost effective or practical. The business then must determine how to meet customer expectations in the best way possible.

At the very least, impractical ideas may inform long-term development strategy. Options that are not cost effective today may become quite possible down the line.

Examples of Market Orientation

Amazon is an example of a market-oriented company. As it has grown and developed, it has consistently added processes and features that clearly address concerns and desires expressed by consumers. Below are a couple of examples:

Many consumers, especially city dwellers, worry about getting packages delivered when they're not at home. The company responded with Amazon Locker, a network of self-service pickup boxes.

Delivery charges, no matter how reasonable, are a chief irritant to consumers, and a reason to buy locally instead of ordering online. Amazon Prime charges an annual fee for free delivery of most of its products.

Coca-Cola is another company that is famous for its market orientation. Considerable research goes into identifying new flavors that consumers will actually like, such as wild strawberry and lime. But those new flavors won't help Coca-Cola address the increasing health consciousness of consumers. That's why the company has recently acquired brands including Dasani, Honest Tea, Smartwater, Simply Orange, Minute Maid, Odwalla, and Vitaminwater.

Essential functions of marketing are:

1. Gathering and Analyzing Market Information

2. Marketing Planning

3. Product Designing and Development

4. Standardization and Grading

5. Packaging and Labelling

6. Branding

7. Customer Support Services

8. Pricing of Products

9. Promotion

10. Physical distribution

11. Transportation

12. Storage or Warehousing.

1. Gathering and Analyzing Market Information:

The most important function of a marketer is to gather and analyze the market information. This is essential to find out the needs of the customers and to take various decisions regarding successful marketing of products.

Marketer tries to understand what do customers want to buy and when, in what quantity and at what price etc.? He also tries to understand the motive behind this purchase i.e. whether the customer is buying the product as a necessity or for style. On the basis of all this information and analysis, the product is designed. Labelled, branded, packed, promoted etc.

2. Marketing Planning:

It involves making plans for increasing production and sales, promotion of product etc. and also laying down a course of action for achieving these objectives. For example, if a product has become popular in Punjab, the target of an organization should be to make it popular in rest of North India first, followed by remaining states. For this, proper plans are to be made.

3. Product Designing and Development:

Another important function of marketing involves product designing and development. Product designing includes decision related to the quality standards to be used for shape or design of the product, packing, etc in order to make the product attractive to the target customers and better than the competitors' product. For example, product designing for a color television includes shape, size, quality standard, technology etc.

4.Standardization:

Standardization is a process of producing goods of predetermined standards so as to achieve the uniformity and consistency in products. This assures the buyers of the quality, price and packaging of the product.

Grading refers to a process of classifying products into different groups on the basis of their features like size, shape quality etc. It is mainly done in case of agricultural products like wheat, rice, potatoes etc.

5. Packaging and Labelling:

Packaging means designing the package for the product while labelling is concerned with putting label on the package. Packaging and labelling have been recognized as pillars of marketing. They not only provide protection to the product but also act as a promotional tool.

Sometimes, the customers assess the quality of the product from its packaging. Packaging has played an important role in the success of many consumer brands like Colgate tooth paste, Taj Mahal tea. Lays potato wafers etc.

6. Branding

Branding is a process of giving a brand name to a product to differentiate it from competitor's products, in building customers' loyalty and in promoting the product. The most important decision under this strategy is whether to give a separate brand name or same brand to all products of a business firm. For example, (i) LG television, A.C and washing machines (ii) Philips bulbs, tubes and television, A.C and washing machines.

7. Customer Support Services:

The key to marketing success is the satisfaction of the customer. Therefore, an important function of marketing i.e. to provide various customer support services like after sales service, procuring credit services, handling customer complaints, consumer information etc. These services help in getting, keeping and growing the number of customers.

8. Pricing of Products:

The amount of money which a customer is required to pay for purchasing the product is known as product price. Pricing has a great effect on the demand for a product. A little variation in price may increase the demand for competitor's product. Thus, while determining the price for a product, various factors like, types of customers, their income, firm's objective, product demand, and competitors' policy etc should be considered.

9. Promotion:

Promotion of product and services refers to providing information to the customers about the firm's products, their features, uses, prices etc and persuading them to buy these products. Advertising, Personal selling. Publicity and Sales Promotion are the main tools of promotion. A marketer has to decide about the promotion budget, promotion mix (i.e. combination of promotional tools) etc.

Another important function to be performed by marketer is the physical distribution of goods and services. The important decision areas under this involve selection of channel of distribution, transportation, inventory levels, storage and warehousing.

11. Transportation:

Transportation means physical movement of goods from the place of production to the place of consumption. For example, Maruti cars are produced at Gurgaon but are available all over the country. Not only the finished goods are to be transported but also the raw material needs to be transported.

A business firm analyses its transportation needs on the basis of factors like nature of the product, cost, location of the target market etc. and then take decisions regarding mode of transportation and other related aspects.

12. Storage or Warehousing:

There is a time gap between production and consumption of goods. Thus it is an important function of marketing to provide for proper storage of such goods until they are demanded. For example, apples are produced in winter are stored in cold storages and sold even in summer

Moreover, there is a need for storage of adequate stock of goods to meet the demand in case of contingencies and to avoid unnecessary delays in delivery. Retailers, Wholesalers and Manufacturers perform the function of storage. Also, Warehouse help in stabilizing prices by checking fluctuations. They also facilitate regular & even supply of products throughout the country & throughout the year.

Importance of marketing can be studied as follows:

Marketing management smoothen the process of exchange of ownership of goods and services from seller to the buyer.

1. Analysing Market Opportunities:

Marketing management collects and analyses information related to consumer's needs, wants and demands, competitor's marketing strategies, changing market trends and preferences. This helps to identify market opportunities.

2. Determination of Target Market:

Marketing management helps to identify the target market that the organization wishes to offer its product.

3. Planning and Decision Making:

Marketing management helps to prepare future course of action. Planning relates to product introduction, diversification. Decision making regarding pricing, selection of promotional mix, selection of distribution channel is taken by the marketing management.

4. Creation of Customer:

Consumers determine the future of the market. Therefore, providing the best product to the consumer according to their preference is the important task of marketing. Marketing management helps in creation of new customers and retention of current customers.

5. Helps in Increasing Profit:

Marketing caters to the varied and unlimited needs of consumers. Marketing management helps to increase profit and sales volume. This is achieved by expansion of market and increasing customers.

6. Improvement in Quality of Life:

Marketing management aims at providing innovative product and services to the customers. Marketers continuously strive to incorporate new technology and mechanism in their product to provide more satisfaction to customers than before. This improves quality of life and makes life of consumers easier than before.

7. Employment Opportunities:

Marketing process is a combination of different activities like research work to assess the marketing environment, product planning and development, promotion, distribution of product to customers and after sales service. Marketing process requires researcher, production engineer, different distribution intermediaries, sales personnel also creates employment opportunities in advertisement section. Thus, marketing management opened up different employment avenues thus creating employment opportunities.

Marketing Mix

The term marketing-mix was first coined by Neil H Borden back in 1964 in his article “The concept of marketing-mix”. Several strategic analysts over the years believe that the marketing-mix can make or break the firm. Having the right marketing-mix at the start of the marketing plan is absolutely essential. Over time the concept of marketing-mix has provided a steady platform for the launch of a new product or business.

As mentioned before, the marketing-mix is characterized by four different but equally important variables. These variables are never constant and may be changed over time. However, a change in one of the variables may cause a change in all the other variables as well.

The Variables of Marketing-mix are as follows

1) Product in the Market mix

The first thing you need, if you want to start a business, is a product. Therefore, Product is also the first variable in the marketing-mix. Product decisions are the first decisions you need to take before making any marketing plan. A product can be divided into three parts. The core product, the augmented product and the tertiary product. Before deciding on the product component there are some questions which you need to ask yourself.

What product are you selling?

What would be the quality of your product?

Which features are different from the market?

What is the USP of the product?

Whether the product will be branded as sub brand or completely new?

What are the secondary products which can be sold along with primary (Warranty, services)

Based on these questions, several product decisions have to be made. These product decisions will in turn affect the other variables of the mix. For example – You plan on launching a car which will have the highest quality. Thus, the pricing, promotions and placing would have to be altered accordingly. Thus, as long as you don't know your product, you cannot decide any other variable of the marketing-mix. However, if the product features are not fitting in the mix, you can alter the product such that it finds a place for itself in the marketing-mix.

2) Pricing in the Marketing mix

Pricing of a product depends on a lot of different variables and hence it is constantly updated. Major consideration in pricing is the costing of the product, the advertising and marketing expenses, any price fluctuations in the market, distribution costs etc. Many of these factors can change separately. Thus, the pricing has to be such that it can bear the brunt of changes for a certain period of time. However, if all these variables change, then the pricing of a product has to be increased and decreased accordingly. Along with the above factors, there are also other things which have to be taken in consideration when deciding on a pricing strategy. Competition can be the best example. Similarly, pricing also affects the targeting and positioning of a product. Pricing is used for sales promotions in the form of trade discounts. Thus, based on these factors there are several pricing strategies, one of which is implemented for the marketing-mix.

3) Place in the Marketing-mix

Place refers to the distribution channel of a product. If a product is a consumer product, it needs to be available as far and wide as possible. On the other hand, if the product is a Premium consumer product, it will be available only in select stores. Similarly, if the product is a business product, you need a team which interacts with businesses and makes the product available to them. Thus, the place where the product is distributed, depends on the product and pricing decisions, as well as any STP decisions taken by a firm.

Distribution has a huge effect on the profitability of a product. Consider a FMCG company which has national distribution for its product. An increase in petrol rates by 10 Rs will in fact bring about drastic changes in the profitability of the company. Thus supply chain and logistics decisions are considered as very important costing decisions of the firm. The firm needs to have a full proof logistics and supply chain plan for its distribution.

4) Promotions in the Marketing-mix

Promotions in the marketing-mix includes the complete integrated marketing communications which in turn includes ATL and BTL advertising as well as sales promotions. Promotions are dependent a lot on the product and pricing decision. What is the budget for marketing and advertising? What stage is the product in? If the product is completely new in the market, it needs brand / product awareness promotions, whereas if the product is already existing then it will need brand recall promotions.

Promotions also decide the segmentation targeting and positioning of the product. The right kind of promotions affect all the other three variables – the product, price and place. If the promotions are effective, you might have to increase distribution points, you might get to increase the price because of the rising brand equity of the product, and the profitability might support you in launching even more products. However, the budget required for extensive promotions is also high. Promotions is considered as marketing expenses and the same needs to be taken in consideration while deciding the costing of the product.

The role of Marketing-mix in Strategy

Marketing-mix plays a crucial role while deciding the strategy of an organization. It is the first step even when a marketing plan or a business plan is being made. This is because, your marketing-mix decision will also affect segmentation, targeting and positioning decisions. Based on products, segmentation and targeting will be done. Based on the price, positioning can be decided. And these decisions will likely affect the place and promotion decisions. Thus, the marketing-mix strategy goes hand in hand with segmentation targeting and positioning.

Concept of 7 P’s in Marketing

The marketing mix

The marketing mix is one of the most famous marketing terms. The marketing mix is the tactical or operational part of a marketing plan. The marketing mix is also called the 4Ps and the 7Ps. The 4Ps are price, place, product and promotion. The services marketing mix is also called the 7Ps and includes the addition of process, people and physical evidence.

Kotler and Armstrong (2010).

The concept is simple. Think about another common mix – a cake mix. All cakes contain eggs, milk, flour, and sugar. However, you can alter the final cake by altering the amounts of mix elements contained in it. So for a sweet cake add more sugar!

It is the same with the marketing mix. The offer you make to your customer can be altered by varying the mix elements. So for a high profile brand, increase the focus on promotion and desensitize the weight given to price.

1.Price

Price is the amount the consumer must exchange to receive the offering. The company’s goal in terms of price is really to reduce costs through improving manufacturing and efficiency, and most importantly the marketer needs to increase the perceived value of the benefits of its products and services to the buyer or consumer.

2.Place

Place includes company activities that make the product available to target consumers. Place is also known as channel, distribution, or intermediary. It is the mechanism through which goods and/or services are moved from the manufacturer/ service provider to the user or consumer.

3.Product

Product means the goods-and-services combination the company offers to the target market.For many a product is simply the tangible, physical item that we buy or sell. You can also think of the product as intangible i.e. a service.

In order to actively explore the nature of a product further, let's consider it as three different products – the CORE product, the ACTUAL product, and finally the AUGMENTED product.

The Product Life Cycle (PLC) is based upon the biological life cycle. For example, a seed is planted (introduction); it begins to sprout (growth); it shoots out leaves and puts down roots as it becomes an adult (maturity); after a long period as an adult the plant begins to shrink and die out (decline).

4.Promotion

Promotion includes all of the activities marketers undertake to inform consumers about their products and to encourage potential customers to buy these products.Promotion includes all of the tools available to the marketer for marketing communication. Whilst there is no absolute agreement on the specific content of a marketing communications mix, there are many promotions elements that are often included such as sales, advertising, sales promotion, public relations, direct marketing, online communications and personal selling.

5.Physical Evidence

Physical evidence is the environment in which the service is delivered, and where the firm and customer interact, and any tangible components that facilitate performance or communication of the service.

Physical Evidence is the material part of a service. Strictly speaking there are no physical attributes to a service, so a consumer tends to rely on material cues. There are many examples of physical evidence, including some of the following buildings, equipment, signs and logos, annual accounts and business reports, brochures, your website, and even your business cards.

6.People

People are all human actors who play a part in service delivery and thus influence the buyers' perceptions; namely, the firm's personnel, the customer, and other customers in the service environment. People are the most important element of any service or experience. Services tend to be produced and consumed at the same moment, and aspects of the customer experience are altered to meet the individual needs of the person consuming it.

7.Process

Process is the actual procedures, mechanisms, and flow of activities by which the service is delivered – this service delivery and operating systems. Some see processes as a means to achieve an outcome, for example – to achieve a 30% market share a company implements a marketing planning process. However, in reality it is more about the customer interface between the business and consumer and how they deal with each other in a series of steps in stages, i.e. throughout the process.

Marketing Management process involves the following:

1. Managerial marketing process starts with the determination of mission and goals of the entire enterprise and then defines the marketing objectives to be accomplished.

2. Evaluate corporate capabilities on the basis of our strengths and weaknesses.

3. Determine marketing opportunities which have to be capitalized. We have to identify and evaluate unsatisfied and potential customers' needs and desires. Market segmentation will enable us to select target markets on which we can concentrate our efforts. Marketing opportunities are influenced by marketing environment, competition, government policies, mass-media, consumerism, public opinion, distribution structure, etc.

4. Once the company has full information regarding marketing opportunities, they can formulate marketing strategies in the form of dynamic action-oriented formal plans to achieve mission, goal, and objectives. A strategy is a pattern of purposes and policies, a planned course of action in pursuit of clearly stated objectives in the face of limited resources, and intelligent competition.

Marketing strategy points out the level, mix, and allocation of marketing efforts in marketing action plans. The company has appropriate marketing-mix for each target market. The marketing-mix is expected to sell more than competitors.

5. Marketing action plans or programmes are to be implemented through proper communication, coordination as well as motivation of marketing personnel.

6. Performance according to plan is duly assured by effective marketing control. An effective control system is essential to measure and evaluate the actual results of the marketing strategy. The results are evaluated against our desired objectives. Feedback of evaluation enables marketing management to revise, adopt, or modify goals and objectives and replan on the basis of feedback of evaluation.

7. Marketing process is on-going or dynamic and it must adapt itself to the ever-changing environmental needs.

Marketing Implementation and Control:

The implementation and control of marketing plans - is a process which should ensure the achievement of the strategic objectives adopted by the company. A special role in this process plays a function of organizing and directing people. It involves preparing comprehensive list of activities to be performed, people responsible for this activities and resources needed.

Controlling of marketing plans - the main objective is the current monitoring and evaluation of the marketing activities of the company, recording and reporting of deviations to management, which takes decisions based on this information.

The process of the implementation of the marketing plan

During the process of the implementation of the marketing plan managers must ensure efficient use of capital, human and marketing resources of the company. Selection of the strategy has a significant impact on the subsequent functioning of the company, because its organizational structure must be adapted to strategy. Strategic marketing effectiveness largely depends on the level of involvement of executive leadership in the implementation of marketing tasks. In the implementation of the marketing plan very important factor are the skills, attitudes and behaviors of the staff.

Quality of management depends on:

leadership - top management involvement in the planning process,

coordination - to ensure harmonious cooperation between the organizational units, Implementation, evaluation and control are like the three legs of a stool; remove one, and the stool wobbles and crashes to the ground. If you remove one of these items from a marketing plan, it falls apart, and the plan won't succeed. All three are necessary for the successful completion of marketing activities that help businesses achieve their strategic goals.

The strategy section of a marketing plan describes the market position the business hopes to achieve given the current economic climate and competition. The implementation section outlines the exact steps the business will take to achieve the strategy. Both are equally important.

A great strategy with poor implementation won't help the business achieve its goals, because it won't take the proper steps to achieve the strategy. A poor strategy with great implementation is also a waste of time and money; the tactical steps may be flawlessly executed, but without a strong strategic vision, they won't achieve the company's goals. Both must be equally well-conceived and executed to successfully achieve marketing goals.

Implementation of a Marketing Plan

Missteps in the implementation phase of a marketing plan can be disastrous. Implementation means execution, or the actual steps the company will take to promote its business. These steps may include running ads, launching a website or sending direct mail. If the implementation isn't completed according to plan, the company won't achieve its strategic objectives. The best ideas still need to be enacted. The implementation phase of the marketing plan makes sure the marketing activities happen in the correct time and sequence for success.

Evaluation of a Marketing Plan

The evaluation step of a marketing plan focuses on analyzing quantitative and qualitative metrics associated with the implementation and strategy. Quantifiable metrics are those to which numbers can be attached, such as the numbers of sales leads obtained, customers reached and dollar amounts achieved. Qualitative factors include measures of customer satisfaction.

Evaluating the marketing plan means looking at the data and examining whether or not the company achieved its strategy objectives from the implementation phase. If it did, the steps can be replicated for future success. If not, changes can be made to improve performance and results.

Controls to Evaluate a Marketing Plan

Controls are necessary for the evaluation phase. Controls established during the creation of the marketing plan provide benchmarks to assess how well the plan accomplished its goals. Controls are like goals; they give the company something to aim for when enacting the plan. Controls may include measures such as the marketing budgets and market share.

Facilitating Your Marketing Plan Implementation

- Managers are important facilitators in the implementation process. Some of those are more effective implementers and others.
- Desirable implementation skills include:
- The ability to understand how others feel, and good negotiating skills.
- The strength to be tough and fair and putting people and resources where they are most effective.
- Effectiveness is focusing on the critical aspects of performance and managing marketing activities.
- The ability to create a necessary informal organization or network to match each problem with which they will be confronted with.
- In addition to people, several implementation methods may facilitate the process. These include organizational design, incentives, and communications.

Unit 3

SEGMENTATION TARGETING AND POSITIONING

The STP Model consists of three steps that help you analyze your offering and the way you communicate its benefits and value to specific groups.

STP stands for:

Step 1: Segment your market.

Step 2: Target your best customers.

Step 3: Position your offering.

This model is useful because it helps you identify your most valuable types of customer, and then develop products and marketing messages that ideally suit them. This allows you to engage with each group better, personalize your messages, and sell much more of your product.

Example

Marriott International® owns a number of different hotel chains that target specific consumer groups.

For example, Courtyard by Marriott® hotels focus on travelers on the road, who want a nice, clean place to stay during their trip; Ritz-Carlton® hotels target those who don't mind paying a premium for luxury; and Marriott ExecuStay® hotels are aimed at professionals who need a longer-term, comfortable place to stay.

Similarly, tata groups have ginger hotels which serve as budget business class hotels where as Taj Coromental is meant for luxury.

As you can imagine, Marriott International doesn't communicate the same marketing message to all its customers. Each hotel is designed and positioned to appeal to the unique wants and needs of a specific group.

Applying the STP Model

Follow the steps below to apply the STP Model in your organization.

Step 1: Segment Your Market

Your organization, product or brand can't be all things to all people. This is why you need to use market segmentation to divide your customers into groups of people with common characteristics and needs. This allows you to tailor your approach to meet each group's needs cost-effectively, and this gives you a huge advantage over competitors who use a "one size fits all" approach.

There are many different ways to segment your target markets. For example, you can use the following approaches:

Demographic – By personal attributes such as age, marital status, gender, ethnicity, sexuality, education, or occupation.

Geographic – By country, region, state, city, or neighborhood.

Psychographic – By personality, risk aversion, values, or lifestyle.

Behavioral – By how people use the product, how loyal they are, or the benefits that they are looking for.

Example

The Adventure Travel Company is an online travel agency that organizes worldwide adventure vacations. It has split its customers into three segments, because it's too costly to create different packages for more groups than this.

Segment A is made up of young married couples, who are primarily interested in affordable, eco-friendly vacations in exotic locations. Segment B consists of middle-class families, who want safe, family-friendly vacation packages that make it easy and fun to travel with children. Segment C comprises upscale retirees, who are looking for stylish and luxurious vacations in well-known locations such as Paris and Rome.

Step 2: Target Your Best Customers

Next, you decide which segments to target by finding the most attractive ones. There are several factors to consider here.

First, look at the profitability of each segment. Which customer groups contribute most to your bottom line?

Next, analyze the size and potential growth of each customer group. Is it large enough to be worth addressing? Is steady growth possible? And how does it compare with the other segments? (Make sure that you won't be reducing revenue by shifting your focus to a niche market that's too small.)

Last, think carefully about how well your organization can service this market. For example, are there any legal, technological or social barriers that could have an impact? Conduct a PEST Analysis to understand the opportunities and threats that might affect each segment.

It can take a lot of effort to target a segment effectively. Choose only one segment to focus on at any one time.

Example

The Adventure Travel Company analyzes the profits, revenue and market size of each of its segments. Segment A has profits of $8,220,000, Segment B has profits of $4,360,000, and Segment C has profits of $3,430,000. So, it decides to focus on Segment A, after confirming that the segment size is big enough (it's estimated to be worth $220,000,000/year.)

Step 3: Position Your Offering

In this last step, your goal is to identify how you want to position your product to target the most valuable customer segments. Then, you can select the marketing mix that will be most effective for each of them.

First, consider why customers should purchase your product rather than those of your competitors. Do this by identifying your unique selling proposition, and draw a positioning map to understand how each segment perceives your product, brand or service. This will help you determine how best to position your offering.

Next, look at the wants and needs of each segment, or the problem that your product solves for these people. Create a value proposition that clearly explains how your offering will meet this requirement better than any of your competitors' products, and then develop a marketing campaign that presents this value proposition in a way that your audience will appreciate.

Example

The Adventure Travel Company markets itself as the "best eco-vacation service for young married couples" (Segment A).

It hosts a competition on Instagram® and Pinterest® to reach its desired market, because these are the channels that these people favor. It asks customers to send in interesting pictures of past eco-vacations, and the best one wins an all-inclusive trip.

The campaign goes viral and thousands of people send in their photos, which helps build the Adventure Travel Company mailing list. The company then creates a monthly e-newsletter full of eco-vacation destination profiles.

Key Points

The STP Model helps you position a product or service to target different groups of customers more efficiently. This three-step approach helps you quickly zoom in on the most profitable parts of your business, so that you can fully exploit the opportunities these offer.

To use the model, start by segmenting your market into groups. Next, choose which of these you want to target. Last, identify how you want to position your product, based on the personality and behavior of your target market.

BENEFITS OF MARKET SEGMENTATION

There are 6 main advantages of segmentation.

1) Focus of the Company

Segmentation is an effective method to increase the focus of a firm on market segments. If you have better focus, obviously you will have better business. Numerous automobile companies have started focusing on small car segments. This is nothing else but a company changing its focus for better returns. Thus companies base their strategy completely on a new segment which increases its focus and profitability.

2) Increase in competitiveness

Naturally, once your focus increases, your competitiveness in that market segment will increase. If you are focusing on youngsters, your brand recall and equity with youngsters will be very high. Your market share might increase and the chances of a new competitor entering might be low. The brand loyalty will definitely increase. Thus market segmentation also increases competitiveness of a firm from a holistic view.

3) Market expansion

Geographic segmentation is one type of segmentation where expansion is immediately possible. If you have your market strategy on the basis of geography, then once you are catering to a particular territory, you can immediately expand to a nearby territory.

In the same way, if you are targeting customers based on their demography (Ex – reebok targets fitness enthusiasts) then you can expand in similar products (Ex – reebok expanding with its fitness range of clothes and accessories). Segmentation plays a crucial role in expansion. You cannot expand in a territory when you have no idea of which segment of customers you will be meeting.

4) Customer retention

By using segmentation, Customer retention can be encouraged through the life cycle of a customer. The best example of this is the Automobile and the Airlines segment. You will find major example of customer life cycle segmentation in the Hospitality segment whether they be hotels, airlines, or hospitals.

In India, Titan is an example of products which are planned through the life cycle of a customer. From fast track to Sonata and the high range watches, Titan has them by price segment as well as life cycle segment. Thus, a watch is available for any customer who enters a Titan showroom, whatever be his age.

5) Have better communication

One of the factors of marketing mix which is absolutely dependent on STP is Promotions or communications. The communications of a company needs to be spot on for its TARGET market. Thus, if you need a target market, you need segmentation. Communication cannot be possible without knowing your target market.

Imagine that you were in front of a curtain. There was someone on the other side. And you were asked to explain Politics to the person on the other side. You would go on about ruling parties, states, countries and politicians. And when the curtain is taken aside, you find that the person across the curtain is a 5-year-old kid.

Is there any use talking to him about politics? This shows why communication needs segmentation. If you dont know your market segment, what is their demography, what is their psychology, where they are from, what is their understanding level, then how can you form a communication message.

6) Increases profitability

Segmentation increases competitiveness, brand recall, brand equity, customer retention, communications. Thus, if it is affecting so many factors of your business, then definitely it affects the profitability of the firm. Do you ever see people negotiating in a Nike, Gucci or BMW showrooms? You won’t. One of the USP’s of this brand is their segmentation. They are in fact targeting segments which have no need of bargaining or negotiation. Thus, their profitability is high.

In summary – The major advantages of segmentation lie in the fact that by targeting the right segment, you will walk away with a better company and a higher profitability.

REQUIREMENTS FOR EFFECTIVE MARKET SEGMENTATION:

The requirements for effective market segmentation are as follows:

a) Measurable: The size, needs, purchasing power, and characteristics of the customers in the segment should be measurable. Quantification should be possible.

b) Divisible: The segments should be differentiable. There must be clear-cut basis for dividing customers into meaningful homogeneous groups. They should respond differently to different marketing mixes. There should be differences in buyer's needs, characteristics and behaviors for dividing in groups.

c) Accessible: The segment should be reachable and serviceable. It should be accessible through existing marketing institutions, such as distribution channels, advertising media and sales force. There should be middlemen to distribute the products.

d) Substantial: The segment should be substantial. It should be large enough in terms of customers and profit potential. IT should justify the costs of developing a separate marketing mix.

e) Actionable: It should be actionable for marketing purposes. Organizations should be able to design and implement the marketing mix to serve the chosen segment.

POP/POD

POPS stands for "Points of Parity" and PODS is an acronym for "Points of Distinction". In simplest terms, Points of Parity (POPS) are qualities that you share with competitive brands deemed to be excellent

POP are the generic features and benefits that all the players, brands, products (competitors) are giving, and POD are the differential effects that no one else gives in the market. this is the USP unique selling point on which some brands are consider to be unique amongst other.

n simplest terms, Points of Parity (POPS) are qualities that you share with competitive brands deemed to be excellent. These POPS won't win you business but the absence of points of parity could cause you to see customer churn. In gambling parlance, POPS are important competitive "table stakes" if you want to sit at the higher stakes/higher reward tables.

By contrast, Points of Distinction (PODS) are attributes, behaviors, or qualities that make you stand out from your competitive set. In essence, they are the things you and your customers call your own. I refer to these brand characteristics as the "SO Factor." If a business were to demonstrate an extraordinary willingness to accept returns, for example, someone might say that is SO Nordstrom. Nordstrom established almost legendary return policies as a POD.

While marketers like to call attention to aspects of a brand that they want to cement as PODS in the minds of prospects and customers, experience designers like me and business leaders like you should be thinking about DELIVERING PODS – behaving in ways that are relevant, different and valued by your customers.

M.COM AND ECOM

However, traditional commerce is still in vogue, but every second person uses the latest modes of trading i.e. electronic commerce (e-commerce) and mobile commerce (m-commerce). e-Commerce delineates all forms of business dealings undertaken through electronic processing and exchange of data, including text, sound, video, images and so on.

On the other hand, m-Commerce implies the trading of merchandise through wireless handheld devices, such as mobile phones, tablets and personal digital assistant (PDA).

In short, the former refers to the buying and selling of products and services with the use of electronic systems such as the internet while the latter is an extension over the former, in which the commercial activities are conducted, through telecommunication devices.

BASIS FOR COMPARISON	E-COMMERCE	M-COMMERCE
Meaning	Any kind of commercial transaction that is concluded, over the internet using electronic system is known as e-commerce.	M-commerce refers to the commercial activities which are transacted with the help of wireless computing devices such as cell phone or laptops.
Which device is used?	Computers and Laptops	Mobiles, tablets, PDA's, iPad etc.
Developed	In 1970's	In 1990's
What is it?	Superset	Subset
Ease of carrying device	No	Yes
Use of internet	Mandatory	Not mandatory
Reach	Narrow i.e. it is available only in those places where there is internet along with electricity.	Broad due to its portability.

PRODUCT MANAGEMENT

With every product, regardless of where it is in its lifecycle, there are certain key decisions that must be made, perhaps repeatedly. These decisions include specifying product features, package design, branding decisions, establishing related services, and legal considerations. Although these decision areas are discussed separately, it should be noted that they all interact with one another, and are monitored and modified when necessary throughout the life of the product.

In a functional sense, the key question is: "Does the product do what the consumer wants it to do?" Does it get clothes clean? Does it quench your thirst? Does it save you money? Some of these questions can be answered only through product research, but consumer research provides more answers.

While the development of ultra-high-speed photographic film was a research breakthrough, how the consumer perceives this benefit can be answered only by the consumer. It is possible that the product benefit is so great that it overwhelms the consumer or it is not believed by the consumer. Several new toothpaste manufacturers have recently come out with products that partially restore decayed tooth areas. They have intentionally kept this innovation very low-key because they feared the consumer would not believe it.

Product features include such factors as form, color, size, weight, odor, material, and tactile qualities. A new car can offer thousands of alternatives when one considers the exterior and interior options. The smell of fresh bakery products or a good Italian restaurant has clearly enticed many a customer. The product must also be aesthetically pleasing. When the entire product is put together, it must create an appealing, visually attractive and distinctive need-satisfier.

Product Levels:

One of the reasons that you need to determine the types of product is to analyse where your product is weaker, or where it has more potential. A maruti car which does not provide service, has a problem not only in its expected product, but its augmented product as well. A car manufacturer who does not give service, is not only missing the basic expectations of their customer, but also missing a lot of revenue that can be generated through the sale of service and spare parts

1) Core product or core benefit

At the base level the utility that you are providing with the product, forms the core product or the core service. The core product of a book is information. It is not the book itself. The book is selling the information in it. The core product of a restaurant is offering food. It is not the building of the restaurant or the service in itself. The core product is the food.

The more important the utility or the benefit you provide, the more likelihood that the customer needs your product. Unfortunately, it is also likely that your sector will have a lot of competition when the core product is a common product. The more unique the core product (engineering), the lesser the players in the market and lesser the competition. This is where, understanding the other five product types can help you as a marketer, as the other product levels can help you differentiate your product.

2) Basic product

If we talk about restaurants, there are various types of restaurants. Some are 3 star, some 4 star, some 5 star and even 7 stars are found in this world. However, the basic level of a restaurant is the one found in your locality, offering basic food.

If a hotel, wanted to turn its core product (rest and food) into a basic product, then the building of the hotel, the type of bed, the type of food, all together form the basic product

3) Expected product

Continuing the above example, if i were to say that you are going to a 5 star hotel, will you only expect a bed, and normal food? No. You will expect a lot more. Your expectation is built on the fact that the hotel is a 5-star hotel.

As the brand grows in reputation, you have to take care of the expectations of the consumer. Daikin, which is a world-renowned air-conditioning brand, is expected to have world class service for its air conditioners. If it does not deliver on this expected product, then it will affect the basic product (air conditioner) as well.

4) Augmented product

A BMW or a Mercedes is an augmented product. When people were bored of normal cars and passenger cars offered by the likes of Volkswagen, General electric or others, there entered a new range of premium sports and luxury cars like the BMW, the Mercedes or Audi.

These products saw beyond the expectations of the customers and went on to provide "Exceeds customer satisfaction". This basically means that where you expected normal seats, these seats had warmers installed. The interiors were fantastic and were designed by high end fashion designers. The pickup and handling were excellent.

Although the price was more, the product designers of BMW, Audi or Mercedes gave the consumers what they wished for. They gave them something which was far beyond an expected product. They gave them luxury on four wheels. The augmented product is the desire of the customer, which you convert to reality. A 5-star restaurant, giving a fantastic four course meal, with the relaxation and the ambiance of your life, is serving as an augmented product.

5) Potential product

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

Mark Zuckerberg strongly believes that there will come a time when we won't need to buy a television. We will buy a virtual reality glasses, and we can watch all the channels for a month for some determined costs. We won't need the television to deliver the movies or the programs to us. Many such products have become obsolete because of potential products which were the future.

Each product in the market has a future. The telephone which was launched, was defeated by the pager and then mobiles and finally smartphones. The polaroid and film using cameras lost their market to digital cameras, who are in turn losing their markets to smartphones again. Laptops have beaten desktop computers. Amongst the five product levels, it is the potential product you have to keep an eye out for. It can bring you down to the street, or it can make you a millionaire.

Classification of Product:

Goods or products are classified as either consumer goods or industrial goods.

Consumer goods are produced for the personal use of the ultimate consumer, while industrial goods are produced for industrial purposes. There are many goods, such as typewriters and stationery can be classified as both industrial and consumer goods.

Marketers have traditionally classified products on the basis of three characteristics – durability, tangibility and use.

Products can be classified as:- A. Consumer Products B. Industrial Products.

A basic product classification can be made based on consumer and business products. The consumer products are afterwards divided based on preference for shopping habits or durability and tangibility. The business products are the industrial goods.

Below, we are going to present the informal classification of products based on variables such as shopping habits, durability and tangibility as well as industrial goods.

Classification of products on the basis of Shopping habits.

Based on the first variable, the shopping habits, the products can be classified into convenience goods, shopping goods and unsought goods.

At the end of the week when you go to the supermarket to complete the necessary shopping for the next week, you probably buy condiments, soap, etc. This kind of product, which has become a habit and for which you don't think too much before buying are part of the convenience goods category. Common examples are FMCG products.

Another example would be when you enter into a shop, and when going to the cash machine you see some umbrellas and take one just because outside was raining and you went out unprepared. This is also an excellent example of impulse buying. Generally for convenience goods, once customers makes a choice for their preferred brand, then stay loyal to that brand because it is convenient to keep repeating the choice over time. Other examples of such convenience purchases include bread, cold drinks, chewing gum, etc

The shopping goods are another category of products. Compared with the convenience goods, the shopping goods are not so frequent. A relevant example can be clothing, electronics, etc.. This category relies heavily on advertising and trained sales people who can influence customer's choices.

For the unsought goods consumers don't put much thought into purchasing them and generally don't have compelling impulse to buy them. An example in this category would be life insurances.

Classification of products on the basis of durability and tangibility.

Based on the second variable of durability and tangibility there are non-durable and durable goods as well as services.

The non-durable category consists of tangible goods that are low priced and purchased frequently such as shampoos, deodorants, etc. Compared with these ones, the durable goods are also tangible goods but are targeted for many uses. For this category, more personal selling is required as well as guarantee to be provided, resulting in higher margin. Relevant example can be the couches or chairs.

Classification of products based on industrial consumption

The last category of products mentioned as the industrial goods classification involves the materials (raw materials such as wood, cooper, aluminum) and parts (tiers, computer chips), capital items such as installations and equipment (cranes, bulldozers), accessory equipment (hand tools, computers, calculators), process materials (food preservatives), operating supplies (papers, pencils, oil).

Product Hierarchy

Definition

Product hierarchy is the classification of a product into its essential components. It is inevitable that a product is related or connected to another. The hierarchy of the products stretches from basic fundamental needs to specific items that satiate the particular needs. Product hierarchy is better understood by viewing the business as a whole as opposed to looking at a specific product.

Product hierarchy is usually mentioned in the same sentence with product classification and therefore can be viewed as a way of product classification.

Product hierarchy levels

Product hierarchy is divided into several levels which are best understood using examples. These product hierarchy levels include:

Product need – the product need is the primary reason for the existence of a product. For example, motor vehicles exist because people have to and want to travel. This is the core product need, for example, Toyota vehicles.

Product family – in product family, the core need satisfied by a product is the focus. This means that the attention should not be on the individual market but rather the entire business market. For example, if travelling is the core need, then it can be satisfied by planes, trains or ships. In this particular case, the product family is travel and for Toyota, the product family is vehicles.

Product class – product class occurs when categories are drawn from the same company. It is similar to product family only that product class doesn't go outside the company, unlike product family. Personal computers constitute an instance of product class.

Product line – a product line consists of the entire group of products included in a class of products and these products are related because they perform a comparable function, are purchased by the same group of customers or fall within a certain price range. An example of a product line is a laptop, which is a portable and wireless type of personal computer.

Product type – this refers to the various products within a product line. For example, under Hyundai I20 product line, we have product types such as I20Astana, I20 sportz and I20 Magna.

Product unit – this is also referred to as the stock keeping unit (SKU) and it is a discrete item within a product type of brand that can distinguish itself by size, price or any other feature. A product becomes an individual product unit if it is independent and no other product type is dependent on it.

What Is a Product Line?

A product line is a group of related products all marketed under a single brand name that is sold by the same company. Companies sell multiple product lines under their various brand names, seeking to distinguish them from each other for better usability for consumers.

Companies often expand their offerings by adding to existing product lines because consumers are more likely to purchase products from brands with which they are already familiar.

Product lines are created by companies as a marketing strategy to capture the sales of consumers who are already buying the brand. The operating principle is that consumers are more likely to respond positively to brands they know and love and will be willing to buy the new products based on their positive experiences with the brand in the past.

For example, a cosmetic company that's already selling a high-priced product line of makeup (that might include foundation, concealer, powder, blush, eyeliner, eye shadow, mascara, and lipstick) under one of its well-known brands might launch a product line under the same brand name but at a lower price point. Product lines can vary in quality, price, and target market. Companies use product lines to gauge trends, which helps them to determine which markets to target.

[Important: A product line is a marketing strategy that enables a company to expand its business by targeting consumers who are either already buying the brand, or are likely to buy the brand.]

How Product Lines Work

Companies add new items to their product lines, sometimes referred to as a product-line extension, to introduce brands to new customers. Consumers who have no interest in a company's sporting good products, for example, might be more interested in buying its product line of energy bars or sports beverages. Extending product lines allows companies to maximize their reach.

The way that companies use product lines is clearly evident in the auto industry. Auto manufacturers famously produce various product lines of vehicles to reach the widest possible range of consumers.

For this reason, they produce lines of economy vehicles, environmentally friendly vehicles and luxury vehicles all under their leading brands. Some are marketed to families, some to individuals, some to the young, some to the old—some are marketed to everybody.

Special Considerations

Product lines allow companies to reach regions and socioeconomic groups, sometimes even worldwide. In some cases, such as the cosmetic industry, companies also launch product lines under their best-selling brands to capture sales from consumers of various ethnic or age groups. Multinational corporations, such as restaurants, often launch product lines specifically for the countries in which they operate, as is the case with fast food restaurants operating in Asia.

Examples of Product Lines

Microsoft Corporation (MSFT) as a brand sells several highly recognized product lines including Windows, Office, Xbox, and SharePoint. Nike Inc. (NKE) has product lines for various sports, such as track and field, basketball, and soccer. The company's product lines include footwear, clothing, and equipment. The product lines for Starbucks Corporation (SBUX) include coffee, ice cream, and drinkware.

Product Mix

A product is an item produced or procured by the business to satisfy the needs of the customer. It is the actual item which is held for sale in the market. A company usually sells different types of products. For e.g. Coca-cola has around 3500+ product brands in its portfolio. These different product brands are also known as product lines. Combination of all these product lines constitutes the product mix.

Product Mix in Marketing

Product mix, also known as product assortment, is the total number of product lines that a company offers to its customers. The product lines may range from one to many and the company may have many products under the same product line as well. All of these product lines when grouped together form the product mix of the company.

The product mix is a subset of the marketing mix and is an important part of the business model of a company. The product mix has the following dimensions

Width

The width of the mix refers to the number of product lines the company has to offer.

For e.g., If a company produce only soft drinks and juices, this means its mix is two products wide. Coca-Cola deals in juices, soft drinks, and mineral water and hence the product mix of Coca-Cola is three products wide.

Length

Length of the product mix refers to the total number of products in the mix. That is if a company has 5 product lines and 10 products each under those product lines, the length of the mix will be 50 [5 x 10].

Depth

The depth of the product mix refers to the total number of products within a product line. There can be variations in the products of the same product line. For example – Colgate has different variants under the same product line like Colgate advanced, Colgate active salt, etc.

Consistency

Product mix consistency refers to how closely products are linked to each other. Less the variation among products more is the consistency. For example, a company dealing in just dairy products has more consistency than a company dealing in all types of electronics.

Product Mix vs Product Line

A product mix is a group of everything a company sells.

However, the product line is a subset of the product mix. A product line refers to a unique product category or product brand a company offers.

For example, [Patanjali] deals in different categories of products which include shampoo, flour, toothpaste, etc. Shampoo, here, forms a different product line, flour forms a different product line as well, and so does toothpaste. However, when they all are grouped together, they form the product mix of Patanjali.

Product Mix Example

Coca-Cola has product brands like Minute Maid, Sprite, Fanta, Thumbs up, etc. under its name. These constitute the width of the product mix. There are a total of 3500 products handled by the Coca-Cola brand. These constitute the length. Minute Maid juice has different variants like apple juice, mixed fruit, etc. They constitute the depth of the product line 'Minute Maid'. Coca-Cola deals majorly with drinking beverage products and hence has more product mix consistency.

Product Mix depends on many factors like

Company Age

Financial Standing

Area of Operation

Brand identity, etc.

Many new companies start with limited width, length, depth and high consistency of the product mix, while companies with good financial standing have wide, long, deep and less consistency of the product mix. Area of operation and brand identity also affects its product mix.

In order to stay successful in the face of maturing products, companies have to obtain new ones by a carefully executed new product development process. But they face a problem: although they must develop new products, the odds weigh heavily against success. Of thousands of products entering the process, only a handful reach the market. Therefore, it is of crucial importance to understand consumers, markets, and competitors in order to develop products that deliver superior value to customers. In other words, there is no way around a systematic, customer-driven new product development process for finding and growing new products. We will go into the eight major steps in the new product development process.

Idea generation – The New Product Development Process

The new product development process starts with idea generation. Idea generation refers to the systematic search for new-product ideas. Typically, a company generates hundreds of ideas, maybe even thousands, to find a handful of good ones in the end. Two sources of new ideas can be identified:

Internal idea sources: the company finds new ideas internally. That means R&D, but also contributions from employees.

External idea sources: the company finds new ideas externally. This refers to all kinds of external sources, e.g. distributors and suppliers, but also competitors. The most important external source are customers, because the new product development process should focus on creating customer value.

Idea screening – The New Product Development Process

The next step in the new product development process is idea screening. Idea screening means nothing else than filtering the ideas to pick out good ones. In other words, all ideas generated are screened to spot good ones and drop poor ones as soon as possible. While the purpose of idea generation was to create a large number of ideas, the purpose of the succeeding stages is to reduce that number. The reason is that product development costs rise greatly in later stages. Therefore, the company would like to go ahead only with those product ideas that will turn into profitable products. Dropping the poor ideas as soon as possible is, consequently, of crucial importance.

Concept development and Testing – The New Product Development Process

To go on in the new product development process, attractive ideas must be developed into a product concept. A product concept is a detailed version of the new-product idea stated in meaningful consumer terms. You should distinguish

A product idea à an idea for a possible product

A product concept à a detailed version of the idea stated in meaningful consumer terms

A product image à the way consumers perceive an actual or potential product.

Marketing strategy development – The New Product Development Process

The next step in the new product development process is the marketing strategy development. When a promising concept has been developed and tested, it is time to design an initial marketing strategy for the new product based on the product concept for introducing this new product to the market.

The marketing strategy statement consists of three parts and should be formulated carefully:

A description of the target market, the planned value proposition, and the sales, market share and profit goals for the first few years

An outline of the product's planned price, distribution and marketing budget for the first year

The planned long-term sales, profit goals and the marketing mix strategy.

Business analysis – The New Product Development Process

Once decided upon a product concept and marketing strategy, management can evaluate the business attractiveness of the proposed new product. The fifth step in the new product development process involves a review of the sales, costs and profit projections for the new product to find out whether these factors satisfy the company's objectives. If they do, the product can be moved on to the product development stage.

In order to estimate sales, the company could look at the sales history of similar products and conduct market surveys. Then, it should be able to estimate minimum and maximum sales to assess the range of risk. When the sales forecast is prepared, the firm can estimate the expected costs and profits for a product, including marketing, R&D, operations etc. All the sales and costs figures together can eventually be used to analyse the new product's financial attractiveness.

Product development – The New Product Development Process

The new product development process goes on with the actual product development. Up to this point, for many new product concepts, there may exist only a word description, a drawing or perhaps a rough prototype. But if the product concept passes the business test, it must be developed into a physical product to ensure that the product idea can be turned into a workable market offering. The problem is, though, that at this stage, R&D and engineering costs cause a huge jump in investment.

The R&D department will develop and test one or more physical versions of the product concept. Developing a successful prototype, however, can take days, weeks, months or even years, depending on the product and prototype methods.

Also, products often undergo tests to make sure they perform safely and effectively. This can be done by the firm itself or outsourced.

In many cases, marketers involve actual customers in product testing. Consumers can evaluate prototypes and work with pre-release products. Their experiences may be very useful in the product development stage.

Test marketing – The New Product Development Process

The last stage before commercialization in the new product development process is test marketing. In this stage of the new product development process, the product and its proposed marketing programme are tested in realistic market settings. Therefore, test marketing gives the marketer experience with marketing the product before going to the great expense of full introduction. In fact, it allows the company to test the product and its entire marketing programme, including targeting and positioning strategy, advertising, distributions, packaging etc. before the full investment is made.

The amount of test marketing necessary varies with each new product. Especially when introducing a new product requiring a large investment, when the risks are high, or when the firm is not sure of the product or its marketing programme, a lot of test marketing may be carried out.

Commercialization

Test marketing has given management the information needed to make the final decision: launch or do not launch the new product. The final stage in the new product development process is commercialization. Commercialization means nothing else than introducing a new product into the market. At this point, the highest costs are incurred: the company may need to build or rent a manufacturing facility. Large amounts may be spent on advertising, sales promotion and other marketing efforts in the first year.

Some factors should be considered before the product is commercialized:

Introduction timing. For instance, if the economy is down, it might be wise to wait until the following year to launch the product. However, if competitors are ready to introduce their own products, the company should push to introduce the new product sooner.

Introduction place. Where to launch the new product? Should it be launched in a single location, a region, the national market, or the international market? Normally, companies don't have the confidence, capital and capacity to launch new products into full national or international distribution from the start. Instead, they usually develop a planned market rollout over time.

In all of these steps of the new product development process, the most important focus is on creating superior customer value. Only then, the product can become a success in the market. Only very few products actually get the chance to become a success. The risks and costs are simply too high to allow every product to pass every stage of the new product development process.

Product Life Cycle

Definition: Product life cycle (PLC) is the cycle through which every product goes through from introduction to withdrawal or eventual demise.

Stages of Product Cycle

Product life cycle can be defined as the life cycle of the product. It means the various stages a product sees in its complete life span.

Product life cycle comprises of the following four stages −

- Introduction or innovation
- Growth
- Maturity
- Decline

Let us start by describing the first stage we have in the product life cycle, that is, the introduction stage.

Introduction Stage

The product is introduced in the market in this stage; it is the initial stage of the product. Sales of the product are low in this stage because there may not be a need of the product in the market. The product may undergo brand trouble. In this stage, there is very little or no profit. The demand for the product is created and developed in this stage. After this initial stage, the next stage of the product is the growth stage.

Growth Stage

In this stage, the demands and market share increase as well as competition emerges in the market. Generally, the price remains constant in this stage. Marketing and promotional expenses increase. There is rapid increase in sales. The manufacturing cost decreases so there is increase in profit margin. It penetrates other market segment. In the growth stage, there is a boom in the demand of the product and the profit increases substantially.

Maturity Stage

The price of the product is comparatively low, but the advertisement and promotion cost increases in this stage. This stage remains for a comparatively longer duration. In this stage, there is high competition. Profit is decreased. Sales growth can be divided into the following three categories in the maturity stage −

- Growth
- Stability
- Decay

In growth, there is an increase in the demand of the product. In stability, the demand of the product remains constant. In decay, there is a slight decrease in the demand.

Decline Stage

There is a decrease in sales in this stage. Demand of product also decreases. There is decrease in the price of the product. Margins are lowered.

There is introduction of new product in market. New strategies are implemented. This is the final stage of the product. There is a decrease in demand and sales of the product.

Importance of Product Life Cycle

Product life cycle is an important tool for market forecasting, planning and control. Product life cycle is important in various ways. The situation of the product can be analyzed properly and changes can be made in order to increase profit. Some other important features are −

- Helpful in formulating a proper product policy, production and pricing.
- Helpful in modifying the marketing policy.
- Helpful to the marketer regarding competition.
- Cautions the management about the decline stage of the product.

Packaging is the science, art, and technology of enclosing or protecting products for distribution, storage, sale, and use. Packaging also refers to the process of design, evaluation, and production of packages. Packaging can be described as a coordinated system of preparing goods for transport, warehousing, logistics, sale, and end use. Packaging contains, protects, preserves, transports, informs, and sells. In many countries it is fully integrated into government, business, institutional, industrial, and personal use.

Package labeling (American English) or labeling (British English) is any written, electronic, or graphic communications on the packaging or on a separate but associated label. The purposes of packaging and package labels

Packaging and package labeling have several objectives

Physical protection – The objects enclosed in the package may require protection from, among other things, mechanical shock, vibration, electrostatic discharge, compression, temperature, etc.

Barrier protection – A barrier from oxygen, water vapor, dust, etc., is often required. Permeation is a critical factor in design. Some packages contain desiccants or Oxygen absorbers to help extend shelf life. Modified atmospheres or controlled atmospheres are also maintained in some food packages. Keeping the contents clean, fresh, sterile and safe for the intended shelf life is a primary function.

Containment or agglomeration – Small objects are typically grouped together in one package for reasons of efficiency. For example, a single box of 1000 pencils requires less physical handling than 1000 single pencils. Liquids, powders, and granular materials need containment.

Information transmission – Packages and labels communicate how to use, transport, recycle, or dispose of the package or product. With pharmaceuticals, food, medical, and chemical products, some types of information are required by governments. Some packages and labels also are used for track and trace purposes.

Marketing – The packaging and labels can be used by marketers to encourage potential buyers to purchase the product. Package graphic design and physical design have been important and constantly evolving phenomenon for several decades. Marketing communications and graphic design are applied to the surface of the package and (in many cases) the point of sale display.

Security – Packaging can play an important role in reducing the security risks of shipment. Packages can be made with improved tamper resistance to deter tampering and also can have tamper-evident features to help indicate tampering. Packages can be engineered to help reduce the risks of package pilferage: Some package constructions are more resistant to pilferage and some have pilfer indicating seals. Packages may include authentication seals and use security printing to help indicate that the package and contents are not counterfeit. Packages also can include anti-theft devices, such as dye-packs, RFID tags, or electronic article surveillance tags that can be activated or detected by devices at exit points and require specialized tools to deactivate. Using packaging in this way is a means of loss prevention.

Convenience – Packages can have features that add convenience in distribution, handling, stacking, display, sale, opening, re-closing, use, dispensing, reuse, recycling, and ease of disposal

Portion control – Single serving or single dosage packaging has a precise amount of contents to control usage. Bulk commodities (such as salt) can be divided into packages that are a more suitable size for individual households. It is also aids the control of inventory: selling sealed one-liter-bottles of milk, rather than having people bring their own bottles to fill themselves.

Packaging types

Packaging may be looked at as being of several different types. For example a transport package or distribution package can be the shipping container used to ship, store, and handle the product or inner packages. Some identify a consumer package as one which is directed toward a consumer or household.

Packaging may be described in relation to the type of product being packaged: medical device packaging, bulk chemical packaging, over-the-counter drug packaging, retail food packaging, military materiel packaging, pharmaceutical packaging, etc.

It is sometimes convenient to categorize packages by layer or function: "primary", "secondary", etc.

Primary packaging is the material that first envelops the product and holds it. This usually is the smallest unit of distribution or use and is the package which is in direct contact with the contents.

Secondary packaging is outside the primary packaging, perhaps used to group primary packages together.

Tertiary packaging is used for bulk handling, warehouse storage and transport shipping. The most common form is a palletized unit load that packs tightly into containers.

These broad categories can be somewhat arbitrary. For example, depending on the use, a shrink wrap can be primary packaging when applied directly to the product, secondary packaging when combining smaller packages, and tertiary packaging on some distribution packs.

Most physical products must be packaged and labeled. Some packages such as coke bottles are world famous. Many marketers have called packaging as fifth P, along with price, product, place and promotion. Packaging Packaging is the science, art and technology of enclosing or protecting products for distribution, storage, sale, and use. Packaging is the activities of designing and producing the container for a product.

Packaging

1. Physical protection - The objects enclosed in the package may require protection from, among other things, shock, vibration, compression, temperature etc. Eg : Egg, Bottles
2. Barrier Protection - A barrier from oxygen, water vapor, dust, etc., is often required. Controlled atmospheres are also maintained in some food packages, keeping the contents clean & fresh. Eg: Fruits, Vegetables
3. Containment or Agglomeration - Small objects are typically grouped together in one package for reasons of efficiency. Eg: Chocolates, Biscuits
4. Marketing - The packaging and labels can be used by marketers to encourage potential buyers to purchase the product. Package graphic design and physical design have been a important phenomenon. Eg: Chips, Biscuits
5. Security - Packages can be made with improved tamper resistance to deter tampering and also can have tamper evident features to help indicate tampering. Eg: Coke drinks, water bottles
6. Convenience - Packages can have features that add convenience in distribution, handling, stacking, display, sale, opening, re-closing, use, dispensing, and reuse. Eg: Sauce, Jam
7. Portion Control - Single serving packaging has a precise amount of contents to control usage. Commodities can be divided into packages that are a more suitable size for individual households. Eg: Milk, Ice creams

Labeling

Labeling is any written, electronic, or graphic communications on the packaging or on a separate but associated label. Display of information about a product on its container, packaging, or the product itself.

1. Brand Identification - Labeling helps in the identification and principal place of business of the person by or for whom the prepackaged product was manufactured, processed, produced or packaged for resale

2. Description - Labels provide the information regarding the food product. • It describes the contents, nutritional values, cost, product usage methods, shelf life etc.

3. Promotion - Finally labels helps in promoting the product through attractive and bright graphics replacing paper labels glued on cans and bottles.

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

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

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

Definition of Branding

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

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

Branding is "a seller's promise to deliver a specific set of features, benefits and services consistent to the buyers."

Meaning of Branding

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

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

Elements of Branding

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

Brand Name - It is also called Product Brand. It can be a word, a group of words, letters, or numbers to represent a product or service. For example - Pepsi, iPhone 5, and etc.

Trade Name - It is also called Corporate Brand. It identifies and promotes a company or a division of a particular corporation. For example - Dell, Nike, Google, and etc.

Brand Mark - It is a unique symbol, colouring, lettering, or other design element. It is visually recognisable, not necessary to be pronounced. For example - Apple's apple, or Coca-cola's cursive typeface.

Trade Mark - It is a word, name, symbol, or combination of these elements. Trade mark is legally protected by government. For example - NBC colourful peacock, or McDonald's golden arches. No other organisation can use these symbols.

Trade Characters - Animal, people, animated characters, objects, and the like that are used to advertise a product or service, that come to be associated with that product or service. For example - Keebler Elves for Keebler cookies

Branding Strategies

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

Brand Extension - According to this strategy, an existing brand name is used to promote a new or an improved product in an organisation's product line. Marketing organisations uses this strategy to minimise the cost of launching a new product and the risk of failure of new product. There is risk of brand diluting if a product line is over extended.

Brand Licensing - According to this strategy, some organisations allow other organisations to use their brand name, trade name, or trade character. Such authorisation is a legal licensing agreement for which the licensing organisation receives royalty in return for the authorisation. Organisations follow this strategy to increase revenue sources, enhance organisation image, and sell more of their core products.

Mixed Branding - This strategy is used by some manufacturers and retailers to sell products. A manufacturer of a national brand can make a product for sale under another company's brand. Like this a business can maintain brand loyalty through its national brand and increase its product mix through private brands. It can increase its profits by selling private brands without affecting the reputation and sales of its national brand.

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

What are the advantages of branding?

1. Awareness and Differentiation

Branding makes the customer aware about the product or service, because without branding how customer will recognize the product or the service. There are so many similar products and services that are used for same cause and for satisfying the same customer needs. Just imagine if there was no branding then all cold drinks would have been same? It's hard to imagine I know, that's why branding helped many customers to prefer to use Coca - Cola while some other prefer to use Pepsi and so on.

2. Premium prices

Branding helps the company in charging a premium price for their product because a strong brand can charge a higher price than its competitors which in turn leads to higher profit margins for the company. An example would be Apple and Samsung charging a higher price of their smartphones than Sony and Huawei because customers have that brand image that Apple and Samsung have the best quality when it comes to smartphones.

3. Barrier to entry on the market

Having a strong and established brand under your portfolio in the market can be a barrier for entrance of new competitors on the same market as your. The potential new competitors will know that there is a strong leading brand and they may never make a decision to entry on the market.

What are the disadvantages of branding?

1. Huge development costs

The biggest disadvantage of branding is that it involves huge cost because brands are not created overnight and companies have to spend huge sums on advertising and publicity. Often the brand marketers calculate the ROBI (Return of Brand Investment) as they tend to predict and justify the brand development process.

2. Limited quality flexibility

Limited flexibility in the quality of the products and services of the brands is emerging from the fact that they offer quality for premium price. THE ONLY REASON why customers will pay this premium price is the guaranteed quality. So, no exclusions here guys!

3. Changing the perception for the brand is hard

Another disadvantage of branding is that if due to some reason brand gets a bad name or reputation than it is very difficult, if not impossible to regain the original position or status of the brand. It's similar to basketball MVP, one bad pass can led to losing the game and you're no more perceived as MVP.

What Is Brand Equity?

Brand equity refers to a value premium that a company generates from a product with a recognizable name when compared to a generic equivalent. Companies can create brand equity for their products by making them memorable, easily recognizable, and superior in quality and reliability. Mass marketing campaigns also help to create brand equity.

When a company has positive brand equity, customers willingly pay a high price for its products, even though they could get the same thing from a competitor for less. Customers, in effect, pay a price premium to do business with a firm they know and admire. Because the company with brand equity does not incur a higher expense than its competitors to produce the product and bring it to market, the difference in price goes to margin. The firm's brand equity enables it to make a bigger profit on each sale.

Understanding Brand Equity

Brand equity has three basic components: consumer perception, negative or positive effects, and the resulting value. Foremost, consumer perception, which includes both knowledge and experience with a brand and its products, builds brand equity. The perception that a consumer segment holds about a brand directly results in either positive or negative effects. If the brand equity is positive, the organization, its products, and its financials can benefit. If the brand equity is negative, the opposite is true.

Finally, these effects can turn into either tangible or intangible value. If the effect is positive, tangible value is realized as increases in revenue or profits and intangible value is realized as marketing as awareness or goodwill. If the effects are negative, the tangible or intangible value is also negative. For example, if consumers are willing to pay more for a generic product than for a branded one, the brand is said to have negative brand equity. This might happen if a company has a major product recall or causes a widely publicized environmental disaster.

Effect on Profit Margins

When customers attach a level of quality or prestige to a brand, they perceive that brand's products as being worth more than products made by competitors, so they are willing to pay more. In effect, the market bears higher prices for brands that have high levels of brand equity. The cost of manufacturing a golf shirt and bringing it to market is not higher, at least to a significant degree, for Lacoste than it is for a less reputable brand.

However, because its customers are willing to pay more, it can charge a higher price for that shirt, with the difference going to profit. Positive brand equity increases profit margin per customer because it allows a company to charge more for a product than competitors, even though it was obtained at the same price.

Brand equity has a direct effect on sales volume because consumers gravitate toward products with great reputations. For example, when Apple releases a new product, customers line up around the block to buy it even though it is usually priced higher than similar products from competitors. One of the primary reasons why Apple's products sell in such large numbers is that the company has amassed a staggering amount of positive brand equity. Because a certain percentage of a company's costs to sell products are fixed, higher sales volumes translate to greater profit margins.

Customer retention is the third area in which brand equity affects profit margins. Returning to the Apple example, most of the company's customers do not own only one Apple product; they own several, and they eagerly anticipate the next one's release. Apple's customer base is fiercely loyal, sometimes bordering on evangelical. Apple enjoys high customer retention, another result of its brand equity. Retaining existing customers increases profit margins by lowering the amount a business has to spend on marketing to achieve the same sales volume. It costs less to retain an existing customer than to acquire a new one.

Brand Positioning:

Brand positioning refers to "target consumer's" reason to buy your brand in preference to others. It is ensures that all brand activity has a common aim; is guided, directed and delivered by the brand's benefits/reasons to buy; and it focusses at all points of contact with the consumer.

Brand positioning must make sure that:

- Is it unique/distinctive vs. competitors?
- Is it significant and encouraging to the niche market?
- Is it appropriate to all major geographic markets and businesses?
- Is the proposition validated with unique, appropriate and original products?
- Is it sustainable - can it be delivered constantly across all points of contact with the consumer?
- Is it helpful for organization to achieve its financial goals?
- Is it able to support and boost up the organization?

In order to create a distinctive place in the market, a niche market has to be carefully chosen and a differential advantage must be created in their mind. Brand positioning is a medium through which an organization can portray it's customers what it wants to achieve for them and what it wants to mean to them. Brand positioning forms customer's views and opinions.

Brand Positioning can be defined as an activity of creating a brand offer in such a manner that it occupies a distinctive place and value in the target customer's mind. For instance-Kotak Mahindra positions itself in the customer's mind as one entity- "Kotak "- which can provide customized and one-stop solution for all their financial services needs. It has an unaided top of mind recall. It intends to stay with the proposition of "Think Investments, Think Kotak". The positioning you choose for your brand will be influenced by the competitive stance you want to adopt.

Brand Positioning involves identifying and determining points of similarity and difference to ascertain the right brand identity and to create a proper brand image. Brand Positioning is the key of marketing strategy. A strong brand positioning directs marketing strategy by explaining the brand details, the uniqueness of brand and it's similarity with the competitive brands, as well as the reasons for buying and using that specific brand. Positioning is the base for developing and increasing the required knowledge and perceptions of the customers. It is the single feature that sets your service apart from your competitors. For instance- Kingfisher stands for youth and excitement. It represents brand in full flight.

There are various positioning errors, such as-

Under positioning- This is a scenario in which the customer's have a blurred and unclear idea of the brand.

Over positioning- This is a scenario in which the customers have too limited a awareness of the brand.

Confused positioning- This is a scenario in which the customers have a confused opinion of the brand.

Double Positioning- This is a scenario in which customers do not accept the claims of a brand.

Selecting a brand name

One of the key decisions when bringing a new product to market, particularly if it is going to be under the umbrella of a new brand, is the brand name selection.

There are two approaches to brand name selection.

The first approach is to have a brand name that is somehow reflective of the benefits or unique features of the product. The second approach is to create an unusual or distinctive brand name, perhaps by even creating a new word, with the intent of building brand awareness and brand equity over time.

A BRAND NAME REFLECTIVE OF THE BENEFITS OF THE PRODUCT

This approach is quite effective in the brand is relatively new, as it gives potential consumers an opportunity to gain some form of understanding of the product of its positioning relatively quickly, from making an inference about the brand name.

Simple examples of a brand name that is tied to the features or benefits of the product include:

Pizza Hut

Spray and wipe

Vitamin water

Raisin bran cereal

Toys “R" Us

Kentucky Fried Chicken

Pepsi-Cola

As you can see, even without an understanding/memory of each of these brands, a consumer could have a pretty good guess about what the brand is all about.

DISTINCTIVE/UNUSUAL BRAND NAMES

This is a common approach to stand out in the marketplace, particularly on the Internet, and is often pursued a larger companies who have the capacity and resources to build strong clear brands. One of the advantages of this approach is that the name is quite unusual, which may attract attention.

Examples of brand names that are not particularly tied to the product, or tied to the original ownership of the brand include:

McDonald’s

Apple

Google

Walmart

J.P. Morgan

In each of these cases, it has been necessary for brand equity to be built over time – until the consumer has a very clear understanding of what the brand is about.

Principles for brand name selection

Once the decision is made above – a descriptive or unusual name – then the following criteria should be used to screen potential candidates for the brand name.

Distinctive – brand names need to be clear and different to other brands on the market and be recognizable as a brand name, rather than a generic word

Definition Of Brand Sponsorship

Brand sponsorship is a marketing strategy in which a brand is supporting an event, activity, person or organization. Everywhere we go we can witness sponsorship investments: music festival, football games, beneficial events and so on. Sponsorship allows big, medium and small brands to partner with other companies as well as event agencies in order to generate a relationship that aims to economically gratify both the sponsor and the sponsee. But how does it really work and what is the expected return?

Breaking Down Brand Sponsorship

A well-known scenario is when a global brand (let's think at Coca-Cola) spend a lot of money to become official sponsor of the World-Cup. What are the benefits coming from this investment?

Increase brand awareness/visibility: whether you are a newborn brand or a well-established company, sponsoring is an activity that can help you gain awareness or increase your visibility addressing a broader target.

Increase your sales/acquire customers: this is the ultimate goal for every business. Getting to the top of the mind of new or existing customers not only increase awareness but can also directly drive sales, according to how the sponsorship is coherent with your marketing plan.

Gain publicity: can you imagine a startup that get to be the sponsor of an important event or sport club? Seems like a natural consequence that media will talk about this. Furthermore, people will share news on social networks. As a result, you can gain good exposure – all this for free!

Differentiate from the competition: if you find yourself in a very competitive and profit-shrinking market, being the sponsor of a big event or organization can give you the chance to stand out as a leader in your field

Increase brand loyalty/premium prices: true especially for sport sponsorship. In fact, it is statistically proven that, for example, fans of a particular team are more willing to buy from the sponsor than from its competitors. This leads to brand loyalty, which leads itself to customers being less sensitive to premium prices

Increase your CSR reputation/brand image: finally, sponsoring a charitable event or a foundation can enhance your brand image as a caring company. As a result you will be able to witness a profit increase on the long term

Definition: Brand Development

Brand development is maintaining the consistency in terms of quality, value and trust that consumer finds in the company. Brand is a perception on consumers' mind. Today market is flooded with competition and none of them is lagging behind in delivering the promises that they make to their respective consumers.

Importance of Brand Development

Brand development is a continuous process which helps a brand grow in the market. There has be a constant plan to develop a brand further, be contemporary and yet be useful to a customer. Brand development has following 4 phases:

Brand strategy- How to take your brand into the market? Making brand communications more effective. Brand development can undertake by enhancing communication strategies for a brand.

Brand Identity- Brand identity communicates the company's vision and mission via Brand. From beginning to end, making brand more memorable.

Graphic design- Graphical designs, color schemes, logos etc differentiates a brand from the competitor and shape consumers’ perception positively, and helps in brand development.

Brand management- Just like a stock portfolio, managing the investment done by the company in the brand. Hence, brand management is an effective way of managing the entire life of a brand.

Unit 4:

Factors Affecting Pricing Decisions

Price-quality Relationship

Customers use price as an indicator of quality particularly for products where objective measurement of quality is not possible, such as drinks and perfumes. Price strongly influences quality perceptions of such products. If a product is priced higher, the instinctive judgement of the customer is that the quality of the product must be higher, unless he can objectively justify otherwise.

Political Factors

Where price is out of line with manufacturing costs, political pressure may act to force down prices. Exploitation of a monopoly position may bring short term profits but incurs backlash of a public enquiry into pricing policies. It may also invite customer wroth and cause switching upon the introduction of suitable alternatives.

Product Line Pricing

Some companies prefer to extend their product lines rather than reduce price of existing brands in face of price competition. They launch cut-price fighter brands to compete with low price rivals. This has an advantage of maintaining the image and profit margins of existing brands. By producing a range of brands at different price points, companies can cover varying price sensitivities of customers and encourage them to trade up to more expensive higher margin brands.

Explicability:

The company should be able to justify the price it is charging especially if it is on the higher side. Consumer product companies have to send cues to the customers about the high quality and the superiority of the product. A superior finish, fine aesthetics or superior packaging can give positive cues to the customers when they cannot objectively measure the quality of the offering.

A company should be aware of the features of the product that the customers can objectively evaluate and should ensure superior performance of those features. In industrial markets, the capability of salespeople to explain a high price to customers may allow them to charge higher prices. Where customers demand economic justifications of prices, the inability to produce cost arguments may mean that high price cannot be charged.

A customer may reject a price that does not seem to reflect the cost of producing the product. Sometimes it may have to be explained that premium price was needed to cover R&D expenditure, the benefits of which the customer is going to enjoy.

Competition:

A company should be able to anticipate reactions of competitors to its pricing policies and moves. Competitors can negate the advantages that a company might be hoping to make with its pricing policies. A company reduces its price to gain market share. One or more competitors can decide to match the cut, thwarting the ambitions of the company to garner market share. But all competitors are not the same and their approaches and reactions to pricing moves of the company are different.

The company has to take care while defining competition. The first level of competitors offers technically similar products. There is direct competition between brands who define their business and customers in similar way. Reactions of such competitors are very swift and the company will have to study each of its major competitors and find out their business objectives and cash positions.

Competitors who have similar ambitions to increase their market share and have deep pockets will swiftly reduce price if any one of them reduces prices. A telephone company offering landline services has all telephone companies offering landline services as its first level of competitors.

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The third level of competition would come from products serving the problem in a dissimilar way. Again, such competitors do not believe that they will be affected. But once convinced that they are being affected adversely, swift retaliation should be expected.

The retaliation of the third level is difficult to comprehend as the business premises and cost structures are very different from the telephone company in question. Companies offering E-mail service are competitors at the third level of the telephone company. A company must take into account all three levels of competition

Negotiating Margins

In some markets, customers expect a price reduction. Price paid is different from list price. In industrial goods this difference con be accounted for by order-size discounts, competitive discounts, fast payment discounts, annual volume bonus and promotions allowance.

Negotiating margins should be built which allow prices to fall from list price levels but still permit profitable transactions. It is important that the company anticipates the discounts that it will have to grant to gain and retain business and adjust its list price accordingly. If the company does not build potential discounts into its list price, the discounts will have to come from the company's profits.

Effect on Distributors and Retailers

When products are sold through intermediaries like retailers, the list price to customers must reflect the margins required by them. Sometimes list prices will be high because middlemen want higher margins. But some retailers can afford to sell below the list to customers. They run low-cost operations and can manage with lower margins. They pass on some port of their own margins to customers.

It is never wise to earn extraordinary profits, even if current circumstances allow the company to charge high prices. The pioneer companies are able charge high prices due to lack of alternatives to the customers. The company's high profits lure competitors who are enticed by the possibility of making profits.

Charging Very Low Prices

It may not help a company's cause if it charges low prices its major competitors are charging much higher prices. Customers come to believe that adequate quality can be provided only at the prices being charged by the major companies. If a company introduces very low prices customers suspect its quality, and do not buy the product inspite of the low price. If the cost structure of the company allows, it should stay in business at the low price.

Product Mix Pricing Decisions

he product mix constitutes not only a single product line but all the products within an organization. A company like HUL or P&G or even top automobile companies like Volkswagen or General motors have multiple product lines and many strategic business units in their organization structure. Each product within the structure forms a part of the product mix. In essence, multiple product lines form the complete product mix.

Thus, when we have to decide the product mix pricing, we have to decide the effect on the overall pricing and the ripple it will create on multiple product lines. If Dove has multiple products in its portfolio, and it starts one cheap product, it can affect the brand equity of dove and the profitability of Dove product line will drop. If the profitability of Dove drops, the revenue available for other products lines to be marketed also drops. Thus, a wrong product mix pricing decision is avoided by companies at all cost.

In general, there are 6 types of product mix pricing used by any organization to take care of their product mix and product lines.

1) Product line pricing

Product line pricing is used when the prices within the product line is kept variant so that the customer purchases one or the other product within the product line. If Philips has a line of

Mixer grinders, then it will have one in the lower range, one in the medium range and one in the higher range, so that it can satisfy each type of customer. When you want to plan product mix pricing, you have to ensure that target markets of the complete product line are covered.

2) Optional feature pricing

Many a times, an organization charges extra for an added feature that it provides and the prices are kept on the basis of the feature which is being provided. Hotels and resorts will charge more for Scenery facing views. Similarly in core products, products like the Hyundai I20 come in 3 variants – Asta, Magna and Sportz, each of them cheaper than the previous one based on the features they provide (Asta being the costliest). As the features increase, so thus the pricing.

3) Captive product pricing

It is a smart manoeuvre by the likes of Hewlett Packard and Gillette which are dominating their respective markets. These companies have introduced the main product at very low cost (Printers and Razors) and they are selling the supporting products or the ancillary products at a good margin. Printers do not work without cartridge refill and Razors do not work without blades. So if the margin is high for Cartridge and Blades, these brands can well afford to give the main products at cost price also. However, a minimum margin is kept for the base product and higher margin is kept for ancillary product. It is an interesting form of Product mix pricing.

4) Two-part pricing

When we go to an amusement park, there is a basic entry fee and then the fees for each ride is separate and the refreshments are also separate. This is known as a two-part fee. The initial fee is for the maintenance of the amusement park and the second fee is for the maintenance and the profits of the amusement rides within the park. A similar structure is observed in telecom companies where they charge you a basic amount on monthly basis and then the extra charges are based on your total usage.

5) By Product pricing

By product pricing can simple be explained with the example of Crude oil. Companies like British Petroleum and Shell deal in a lot of Crude Oil and these companies also provide the finished goods like oil and petrol. So, the pricing of the raw material as well as its by product is kept different. Generally, it is kept on the basis of cost of production of the by product. A similar pricing is observed in coconut oil production where the remaining coconut is rich in fibre and can be used as fertiliser. Sugarcane is used to make Sugar but after making sugar, the cane is sold off to building material manufacturers and sold off as Wood material.

6) Product bundling pricing

Generally most product line prices deal with an individual product but a product bundling price deals with the combination of multiple products. On any given weekend, you will see the magic of Product bundling price whenever you see the promotional section of your newspaper.

One retail store or another will be offering 1 packet of Oil free with 2 packets or 1 jeans free on the purchase of 2 shirts, so on and so forth. This is a kind of product mix pricing which is used to push more product in the market at a lower price point. The margins are lesser but the cash movement is much faster, thereby giving liquidity to the brand. It is a favourite tactic of start-up brands.

So, the above are the 6 types of Product mix prices you can use to promote products based on pricing in the market.

COST BASED PRICING:

Every organization's aim is to realise profits in the business that it undertakes. This profit is, to a large extent, determined by the selling price of its product or service. It is not always true that a higher selling price leads to greater profits. The demand for a product at every price point is also important to determine the revenue generated and thus the profit.

Two popular ways to determine the selling price of a product are value based pricing and cost based pricing.

Value based pricing:

It is the method of determining the selling price of a product based on the perceived value that it will add to its consumers. A product that adds higher value in the lives of its consumers will have a higher selling price. An example of such a product is a car which contributes a lot to the family’s status and happiness. Plus the car uses a lot of technology too. Hence a car has a higher selling price because it gives more value.

A product that adds relatively lower value will be priced lower, example a key chain. Value based pricing is tougher to adopt as it is difficult to accurately predict the value that the consumption of a good or service will add. The value added is very subjective and can differ from person to person and consumer to consumer.

Cost based pricing:

An easier technique is called the cost-based pricing. As the name suggests, the selling price of a product under this method is calculated based on the cost of making that product. A certain percentage of the total cost is added as a margin and then the selling price is decided.

For example, let us assume that it costs us Rs. 15,000 to make a smart phone and we want to realise profits of 33% from the sale of every phone. The selling price of this will be 1.33 times the cost price, which means that it will see at Rs. 20,000 in the market.

You can see that cost-based pricing is a simpler technique and is easy to calculate depending on the profit goals of the company. Most small businesses use cost-based pricing because it is easier to calculate on the go

There are further two distinct types of cost-based pricing.

Full cost pricing &

Direct cost pricing

Full cost pricing is a type of cost-based pricing where the entire cost, i.e., fixed cost and variable cost are considered before the mark up is put into effect. The variable cost depends on the number of units produced and peripheral costs while the fixed cost is something that one will have to incur irrespective of the number of units being produced. Example of full cost pricing is any consumer durable product which considers the cost of the production of the product (fixed cost with fixed overheads) as well as its variable cost (transportation cost).

Direct cost pricing is a type of cost-based pricing where only the variable cost is taken into consideration before being marked up. The fixed costs are ignored here and are considered in the overall break-even calculation that the company does. So, a dealer or distributor will only consider the costs of moving a product from his place to the customers' place. If the customer is far away, the high transport price will be considered and overall price will be raised. So the pricing of the end product depends on the variable prices only.

Cost based pricing is used by companies to maximize their profits. Production of the product is increased until the marginal revenue earned (revenue earned due to the sale of every additional product) equals the marginal cost. After this state of economic activity is achieved, the demand curve determines the pricing of the product.

Cost based pricing is easy to put into effect and requires little information. All of the information required is internal to a company and it needn't spend too much time or money in gaining market and consumer insights.

The flaw of this method of pricing is that it does not take into account the demand at a particular price point and it also assumes that the customers will be willing to buy the product at the particular price point. This cannot be taken for granted.

Competition Based Pricing:

Competition-based pricing is a pricing method that makes use of competitors' prices for the same or similar product as basis in setting a price.

This pricing method focuses on information from the market rather than production costs (cost-plus pricing) and product's perceived value (value-based pricing).

The price of competing products is used a benchmark. The business may sell its product at a price above or below such benchmark. Setting a price above the benchmark will result in higher profit per unit but might result in less units sold as customers would prefer products with lower prices.

On the other hand, setting a price below the benchmark might result in more units sold but will cause less profit per unit.

In a perfectly competitive market, sellers almost have no control over prices. It is solely determined by the supply and demand, and products are sold at the market price or going rate.

Advantages and Disadvantages of Competition-Based Pricing

One of the advantages of competition-based pricing is that no complex computations are required. Sellers simply follow a market price, or a price set by market leaders. Also, in a highly competitive market, the burden of price-based marketing is lifted. However, other forms or marketing efforts might be needed.

When sellers adopt the same price as those charged by competitors, certain marketing efforts must be made to attract sales since price is not a major factor; it is neither an advantage nor a disadvantage. Additional efforts include aggressive advertising, better customer support, market saturation, etc.

PRICE CHANGES:

Companies must adjust their basic prices to account for differences in customers and situations.

There are seven price adjustment strategies: Discount and allowance pricing, segmented pricing, psychological pricing, promotional pricing, geographical pricing, dynamic pricing and international pricing. Let's examine the most important price adjustment strategies

Price Adjustment Strategy	Description
Discount and allowance pricing	Reducing prices to reward customer responses such as paying early or promoting the product
Segmented pricing	Adjusting prices to allow for differences in customers, products or locations
Psychological pricing	Adjusting prices for psychological effect

Promotional pricing	Temporarily reducing prices to increase short-run sales
Geographical pricing	Adjusting prices to account for the geographic location of customers
Dynamic pricing	Adjusting prices continually to meet the characteristics and needs of individual customers and situations
International pricing	Adjusting prices for international markets

Discount and Allowance Pricing – Price Adjustment Strategies

The first one of the price adjustment strategies is applied in a large share of businesses. Especially in B2B, this price adjustment strategy is rather common. Most companies adjust their basic price to reward customers for certain responses, such as the early payment of bills, volume purchases and off-season buying.

Discount and allowance pricing can take many forms: Discounts can be granted as a cash discount, a price reduction to buyers who pay their bills promptly. Typical payment terms look like this: “2/10, net 30”, meaning that payment is due within 30 days, but the buyer can deduct 2 per cent if the bill is paid within 10 days. Also, a quantity discount can be given, which is a price reduction to buyers who buy large volumes. A seasonal account is a third form of discount, being a price reduction to buyers who buy merchandise or services out of season.

Allowances refer to another type of reduction from the list price. For instance, trade-in allowances are price reductions given for turning in an old item when buying a new one. Especially in the car industry, trade-in allowances are very common. Promotional allowances refer to payments or price reductions to reward dealers for participating in advertising and sales support programmes.

Segmented Pricing – Price Adjustment Strategies

Often, companies adjust their basic prices to allow for differences in customers, products and locations. In short: adjusting prices to account for different segments. In segmented pricing, the company thus sells a product or service at different prices in different segments, even though the price-difference is not based on differences in costs.

Several different forms of segmented pricing exist. Under customer-segment pricing, different customers pay different prices for the same product or service. For instance, museums and theatres may charge a lower admission for students and senior citizens. Under product-form pricing, different versions of the product are priced differently, although the difference is not due to cost differences. To give an example, look at a bottle of Evian mineral water. It may sell for €1 at the local supermarket. But if you buy a 150ml aerosol can of Evian Brumisateur Water Spray, you will pay more than €8 in beauty boutiques and spas. The content, though, is the same, only in a different product form.

Under location-based pricing, a firm charges different prices for different locations, although the cost of offering each location is the same. For instance, in the USA, state universities charge higher tuition fees for out-of-state students, and theatres vary their seat prices because of audience preferences for certain locations. Finally, under time-based pricing, the firm varies its price by the season, the month, the day or even the hour. This is commonly applied in the hotel business.

Of course, several conditions must be met for this price adjustment strategy to work. The market must be segmentable, and segments must show different degrees of demand. In addition, the cost of segmenting and reaching the single parts of the market cannot exceed the extra revenue obtained from the price differences created.

It is most important that segmented prices reflect real differences in customers' perceived value

Psychological Pricing – Price Adjustment Strategies

Another one of the price adjustment strategies is psychological pricing. It refers to pricing that considers the psychology of prices, not simply the economics. Indeed, the price says something about the product.

For instance, many consumers use price to judge quality. A €100 bottle of perfume may contain only €3 worth of scent, but people will be willing to pay the €100 because the high price indicates that the product is something special.

In fact, for most purchases, consumers simply do not have all the skill or information they need to work out whether they are paying a good price. Often, time, ability or inclination to research different brands or stores, compare prices and get the best deals is lacking. Therefore, psychological pricing may be the most powerful one of the price adjustment strategies.

Promotional Pricing – Price Adjustment Strategies

Promotion pricing calls for temporarily pricing products below the list price, and sometimes even below cost, to increase short-run sales. Thus, companies try to create buying excitement and urgency. Promotional pricing could take the form of discounts from normal prices to increase sales and reduce inventories. Also, special-event pricing in certain seasons to draw more customers could be used. Even low-interest financing, longer warranties or free maintenance are parts of promotional pricing.

However, promotional pricing can have adverse effects. If it is used too frequently and copied by competitors, price promotions can create customers who wait until brands go on sale before buying them. Or the brand's value and credibility can be reduced in the eyes of customers. The danger is in using price promotions as a quick fix in difficult times instead of sweating through the difficult process of developing effective longer-term strategies for building the brand. For that reason, price adjustment strategies such as promotional pricing must be treated with care.

Geographical Pricing – Price Adjustment Strategies

The next one of the price adjustment strategies is geographical pricing. In geographical pricing, the company sets prices for customers located in different parts of the country or world. Should the company risk losing the business of more-distant customers by charging them higher prices to cover the additional shipping costs? Or should the same prices be charged regardless of location?

There are five geographical pricing strategies:

FOB-origin pricing: goods are placed free on board a carrier; the customer thus pays the freight from the factory to the destination. Price differences are the consequence.

Uniform-delivered pricing: the company charges the same price plus freight to all customers, regardless of their location. Thus, there are no geographical price differences.

Zone pricing: the company sets up two or more zones. All customer within a zone pay the same total price, the more distant the zone, the higher the price.

Base-point pricing: the seller designates some city as a base point and charges all customers the freight cost from that city to the customer. This can level the geographical price differences if a central base-point is selected.

Freight-absorption pricing: the seller absorbs all or part of the freight charges to get the desired business. Price differences are thus eliminated.

Dynamic Pricing – Price Adjustment Strategies

Dynamic pricing refers to adjusting prices continually to meet the characteristics and needs of individual customers and situations. If you look back in history, prices were normally set by negotiation between buyers and sellers. Thus, prices were adjusted to the specific customer or situation. Exactly at that point, dynamic pricing starts. Instead of using fixed prices, prices are adjusted on a day-by-day or even hour-by-hour basis, taking many variables into account, such as current demand, inventories and costs. In addition, consumers can negotiate prices at online auction sites such as eBay.

As you can see, dynamic pricing is one of the price adjustment strategies that has developed rapidly in recent years and becomes more and more common.

International Pricing – Price Adjustment Strategies

The last one of the major price adjustment strategies is international pricing. Companies that market their products internationally must decide what prices to charge in the different countries in which they operate. The price that a company should charge in a country can depend on many factors, involving economic conditions, competitive situations, laws and regulations, and the development of the wholesaling and retailing system. In addition, consumer perceptions and preferences may vary from country to country, calling for differences in prices. Also, the company might have different marketing objectives in different markets, which require changes in pricing strategy.

Without doubt, costs play an important role in setting international prices. Higher costs of selling in another country, which is the additional costs of operations, product modifications, shipping and insurance, import tariffs and taxes, and even exchange-rate fluctuations may create a need to charge different markets in the various markets.

After having investigated the 7 price adjustment strategies, it is clear that their application depends on the specific situation the company is in. However, all of the price adjustment strategies can also do harm and damage if executed in the wrong way. Therefore, careful preparation, analysis and execution is an absolute prerequisite. Only then, the price adjustment strategies will lead to a short- and long-term increase in sales and continuous success.

PRICE ADJUSTING INITIATION AND RESPONDING TO PRICE CHANGES:

To counter the competitor's strategy by making changes to the marketing mix elements like product, place and promotion is a difficult task for an organisation. Hence, organisations usually respond to their competitors by making changes to the price. As price element can be easily countered by the competitors, it is in the best interest of the marketing managers to formulate strong marketing strategies based on 3P's – product features and quality, place (strong and effective distribution network), and promotion activities.

There are many reasons that force an organisation to make price changes. These could be market penetration, market skimming, fall or increase in costs, entry of competitors or a substitute product, economic condition of the target market, laws and regulations, product life cycle, etc.

Before initiating a price change, an organisation should consider the following – 1) Reaction of customers – The buyers may think that a deceased price is because of low quality or the product is about to become obsolete. For example, the Nexus 6 model of the mobile phone from Google Nexus was lowered to half of its price in May 2016 on ecommerce sites in India. Some customers thought that it is not a successful handset as compared to earlier Nexus series phones, and the company is just trying to sell the stock lying in warehouses. The product's success sometimes depends on the customer's perception in the target market. In the following months the product was eliminated. It can work to the advantage as well as disadvantage to the organisation. A careful analysis of the situation is needed about the reaction of buyers, and the organisation should be ready with a plan B to meet any challenges arising due to price change.

2) Reaction of the competitors – It is not always easy to understand the response and interpretation of competitors to price change. Keeping a cordial relation with the distributors and constantly surveying the customers is key to getting information on competitor's strategy. A price decrease can result in profits by economies of scale and increase in market share. But it can also prove detrimental because of entry of competitors because of which the organisation can lose market share. A competitor with vast experience and product lines in the market can match the price cut over a longer period. It depends on the demand and economic condition of the target market. The organisation should carefully assess the current market share and current marketing strategy of competitors before making a price cut.

Depending on the marketing strategy like maintaining market share, the competitor may match the price cut. If it wishes to increase customer loyalty and brand image, it may go for product improvements supported by strong promotion activities.

If the competitor is a market leader or has high cash reserves, its response by reducing the price may be for a longer period. It may sustain in the market with a low prices product for a longer period and can get into a price war.

Customers who respond by buying the products due to price decrease, mostly switch to competitor products depending on their perception of quality, brand image, strong advertising activities, etc. It is difficult to anticipate the reaction of competitors, and the marketing managers should be ready with contingency plans before the price cuts are rolled out in the market.

Responding to competitor's price changes –

Anticipating competitor's price change strategy is a challenging task. The competitor may have opted for price reduction to gain market share, to increase sales, product may be in decline or maturity stage, reduction in costs because of learning experience or cheaper raw materials from different suppliers, etc. The price cut could be for a longer or short period.

An organisation facing price cuts from competitors can respond in the following ways- 1) No changes to price but making changes to the other marketing mix elements – The organisation should invest in promotion activities to buy customer loyalty. The promotion activities should highlight the product features, brand image, quality, after sales service, etc.

2) No changes to price and no changes to other marketing mix elements – The organisation can continue with its current pricing strategy as part of its marketing program. If the firm is a market leader with strong brand image, firms opt for this strategy to convey that the product provides the best value as compared to others in the market. Other reason could be to keep the profit margin same relative to the costs. It doesn't wants to risk of losing profits. If the firm is not a market leader, and the competitor which is a market leader reduces the price, the firm by maintaining price sends a confident signal which may force the market leader to revisit the pricing strategy as the distributors are also affected by reduced price. The firm needs to make a very careful decision by analysing all the situations in the market.

3) Reduce price – Considering that it may lose market share if price is not reduced to competitor's price, the firm may lose market share. It becomes very difficult regain lost market share, and requires investments in product modifications, promotion, etc. to retain it. The firm can reduce the price for a short period or long period depending on the attractiveness of the market. It may see increase in profits because of decrease in costs because of the learning curve of its various production functions, marketing functions, etc.

4) Increase price and make changes to other marketing mix elements as well – The firm may increase the price of the product by adding new features to the product. The firms invests in promotion activities highlighting the product features and additional services like warranties, guarantees, free services for certain period, buy back options, etc. For example, there is always a competition between Apple iPhone and Samsung mobiles by launching a more efficient and better device like iPhone 6s and Galaxy S7.

PROMOTION MIX

Imagine you are an organization trying to go global or expand. You have carefully planned how your business will enter the new market, have developed the right product or service, and believe you can offer it for a price that will be profitable. However, until you actual get to the real action and start selling your product, you need to take care of one important part of your business without which your business would not actually function, namely, your customers.

In the process of creating the marketing plan, managers usually use the 4p's model (which can also be found as the 5p's model). The 4P's model includes price, place, product and promotion (later on the model developed in order to also include people). So, you have set the price, you have the product and the place where you want to sell it, but what about promotion?

How an organization chooses to promote their products and services can have a direct and substantial impact on sales. There is much thought and consideration that needs to go into how dollars spent on advertising and promotions will convert into revenue for the company.

Therefore, once you have reached this step in your business plan you have to start building your promotional mix. The basic purpose of the promotional mix is first of all to create brand awareness but the most essential is to produce organizational goals and profits. A promotional mix is defined as being successful if you manage to deliver a clear, compelling message based on the fact that you chose the most appropriate promotion method.

The promotional mix generally involves 5 components such as

- Personal selling
- Advertising
- Direct marketing
- Sales promotions
- Public relations

1) Personal selling

It is a part of the promotional mix which involves a one to one communication between buyers and customers (either potential or already customers). As it is a one-to-one communication, it generates direct contact with prospects and customers. Even though it is considered to be one of the most expensive forms of promotion, it is also considered to be the most successful as a seller-buyer relationship can be created and developed.

2) Advertising

One of the key factors in the promotional mix, which contributes to brand building and also how the market perceives the company, is advertising. It is always a big part of the promotional mix because of the far and wide reach of advertising and the message that you can send to your existing and potential customers. Good advertising can build a solid brand for the company. On the other hand, bad advertising with a wrong message, can cause the brand or product to fail.

3) Direct marketing

While advertising targets a mass-audience, direct marketing targets prospects and customers. Social media marketing, Email marketing, Internet marketing are all types of direct marketing used by companies. They have become important in the promotional mix lately because people are using internet far more than they used to a decade back. Company's employ direct marketing in order to engage in one-way communication with its customers, about product announcements, special promotions, order confirmations as well as customer inquiries.

4) Sales promotions

Sales promotions are one of the most common types of promotion used by companies. Their main purpose is to stimulate purchasing and sales. While it has the potential of increasing sales, it is also beneficial for informing prospects about new products on the market or just to recapture old or lost customers. Such examples include: coupons, product samples, etc.

5) Public relations

Lastly, public relations enable an organization to influence a target audience and through this, create a favorable and positive image for the company. The company tries to connect with the audience by sharing information with them about the company and about the product. If anything goes wrong on the information front, the public relations department has to step forward and rebuild the public image.

While establishing your own promotional mix, you need to consider and decide upon several factors:

Determine which is your target market – in terms of which customers' needs you are going to fulfill through your products while understanding the attitudes and behaviors of your targeted customers

- Determine your objective – more precisely, what are you expecting to get one your promotion mix is implemented.
- Design your message in terms of content and format.
- Select your promotional channels.
- Determine your budget.
- Determine your promotional mix.
- Measure the results of the implemented program and make the necessary adjustments if needed.

In order to succeed with your promotional mix, it would be a good idea to take a look at what your competitors are doing. This does not imply that you copy them as it will not help you at all since each company has its own identity. Monitoring their ads, promotions and special events might provide you with a guide of how to promote yourself and differentiate yourself through the promotional mix.

Personal and nonpersonal communication channels can be used for marketing communications. Within both of them there are many subchannels. The marketing communications mix is presented as mix of eight major modes or types of communication alternatives by Kotler and Keller in the 13 Edition.

1. Advertising
2. Sales promotion
3. Events and experiences

4. Public relations and publicity
5. Direct marketing
6. Interactive marketing
7. Word-of-mouth marketing
8. Personal selling

Personal communication is communication between two or more persons with a specific person communication with others. The message emanates from a specific person. It can be done face to face, or by a person to audience, over telephone, or through post or couriers or through emails or through mobile messages.

The personal communications in the case of marketing can also be categorized as communications from advocate, expert and social contacts. The company salespersons' communication to customers is communication from advocates of the product.

An independent expert communicating to prospective buyers about the merits of the product is classified as expert communication. A neighbor saying good things about a brand is social channel of communication.

Companies take various steps to stimulate personal communications about their products and brands.

1. They identify influential individuals and devote extra effort on them.

2. Create opinion leaders by supplying possible opinion leaders with the product on attractive terms.

3. Use influential or believable people in testimonial advertising.

4. Develop word of mouth publicity by requesting satisfied clients to promote their product among their friends.

5. Establish online discussion groups and communities

Definition: Integrated Marketing Communications (IMC)

Integrated Marketing Communications or IMC involve coordinating the various promotional elements and other marketing activities that communicate with the firm's customers. The basic IMC tools used to accomplish an organisation's communication objectives are referred to as the promotional mix. Integrated marketing communication uses channels like advertising, sales promotion, PR, personal selling, events etc

Importance of Integrated Marketing Communication (IMC)

Integrated marketing communication is important to have a competitive edge in the market. With increasing amount of marketing research, the preferences of customers are very well known to managers. With this expertise at hand, the managers are able to design the marketing communications that are aligned to the consumer's preferences and at the same time it is communicated at the time when the consumer wants to i.e. the right time. This is critical for brand management and ensure that customers have a strong affinity towards the product. As John Wanamaker (1838-1922) coined the phrase "Half the money I spend on advertising is wasted; the trouble is I don't know which half", is no more the case here. With advanced data analytics, the click through rate of online advertisements and the use of cost-effective approach of online ads have made integrated marketing communications the need of the hour. If the right message is only shown at the right place at the right time to the right prospect, the chance s of converting the prospect into potential consumer is very high but at the cost that is minimal. The consistency that IMC brings is really commendable. Suppose a person wants a smartphone, and the channels that the company or a marketer has chosen are online media or digital media based, then the consistency in getting the right message for the prospect is absent. But if the prospect also gets to see ads through TVCs then the objective of consistent IMC is achieved. If the vision is that the customer is the king, then through IMC the king gets really satisfied.

Integrated Marketing Communication Tools

The various tools or elements used in IMC to promotes brands are mentioned below:

1. Advertising: Any paid form of non-personal communication about an organisation or its merchandise by an identified sponsor is known as advertising. This is often the most important part of marketing communications. The paid aspect means that the space for an advertising message generally has to be bought. Advertisement often involves mass media like broadcast television, radio, newspapers, e-marketing and magazines that can transmit the message to large groups of individuals. Companies these days focus on 360-degree branding to have a complete promotion of its brand. Online media channels use content marketing effectively to reach out to its customers.

2. Sales Promotion: Those marketing activities that provide extra value or incentives to sales force, distributors or end consumers to generate immediate sales is known as sales promotions. For consumers, sales promotions generally include discounts, coupons and contests. “Buy one get one free” etc. are well known methods of sales promotions

3. Public Relations: Public relations refers to non-personal communications regarding a product or service that is not paid for or run under a sponsor. Hence the main advantage of public relations is its credibility and helps in building a strong brand equity.

4. Personal Selling: In personal selling, the seller attempts to persuade prospective buyers to buy the company’s merchandise or service. Unlike advertising, personal selling involves direct contact between the buyer and seller.

Apart from this direct marketing (like letters or mails to the consumers) and interactive media (internet) also form major part of the integrated marketing communications mix.

Examples of IMC

Here are some examples of integrated marketing communications:

1. Uber India launched an integrated marketing campaign which uses integrated marketing communications that is solely based on the theme of Apnapan (Hindi for the feeling of togetherness) by partnering with Madison to execute the strategy. A multi-platform campaign was rolled out with Facebook and YouTube as primary channels and television for broader air coverage and radio for the audience while commuting.

2. Coca Cola launched Open Happiness campaign through a very catchy TV commercial. Apart from the TVC, the company ensured that other communication channels like social media, print, online ads, OOH etc were also used effectively. This shows the overall use of IMC channels to capture people across media channels.

Nonpersonal Communication Channels

They include media, atmospheres, and events.

Media channels include print media (newspaper, magazines, souvenirs, proceedings of conferences), broadcast media (radio, television), display media (billboards, signs, posters) and electronic media (audiotape, videotape, videodisk, CD-ROM).

Atmosphere is what firms create in their office environment. The office interiors and exteriors have a meaning to the potential buyers.

Events are occurrences designed to communicate particular messages to target audiences or audiences. Company arranged news conferences, opening ceremonies of various kinds, and sponsorships of various events come under event communications channels.

Communication through mass media stimulates personal communication channels.

The Promotional Tools

The characteristics of various promotional tools are as follows:

Advertising

Advertising is a public mode of communication. Because it is communicated simultaneously to large number of people and people know that the same communication is going to many people, they feel their motives for buying are understood by the advertiser.

Advertising messages can be repeated number of times. Buyers also can compare advertisements of various companies selling the same product. The media offers the facility to add color, sound etc. to the message and dramatize the message. But advertising cannot have dialogue with the people. People may not see and pay attention to the advertisement.

Advertising is an efficient way to reach geographically dispersed potential buyers at a low cost per exposure.

Advertising has two recent variants. Advertorials are offer editorial content and while it is paid for by the advertiser and it will be difficult for the reader to easily make out that it is an advertisement. Similarly infomercials are TV programs that are meant for promoting the products of the company. They discuss the working of the product, benefits of the products, and user experience etc. and they may beam the message to buy the product and the address to be contacted.

Sales promotion

Sales promotion tools like coupons, contests, premiums, and the like act as communication medium and also promote sales.

They gain attention and provide information that may lead the consumer to the product. They include a distinct invitation to the consumer to do the transaction in a short period of time.

Public relations and publicity

News stories and feature articles are more authentic and credible than advertisements to readers. The articles act as testimonials. The message gets through to the potential buyers as news and they may not turn away from it as they turn away from the advertisements.

Personal selling

Personal selling as a communicative channel involves a live, immediate, and interactive relationship between persons. Personal selling leads to relationships. The listener feels obligated to respond to the salesman at least with a polite "thank you."

Direct Marketing

The alternatives are direct mail, Email, and telemarketing. In these cases the message is addressed to a specific person. The message can be customized. Even though mailing folders and email are normally standardized to gain efficiency. The message can be up to date. In case of telemarketing, message can be altered depending on the response. In the case of other alternatives subsequent communication can be altered depending on the response.

Events and Experiences

They include sponsorships of sports, arts, entertainment and cause events as well as activities that create novel interactions of consumers with product or brand. An example of experience can be providing airconditioned bus ride to potential consumers to make them excited about buying an airconditioner. Another example is internet companies providing internet at airports for free use by travellers.

Communication Development Process:

Marketing communications refer to the strategy used by a company or individual to reach their target market through various types of communication. Marketing communication includes advertising, direct marketing, branding, packaging, sales presentations, trade show appearances etc.

Marketing communication objectives are long-term goals where marketing campaigns are intended to drive up the value of your brand over time. In contrast to sales promotions, which are short-term inducements to buy, communication goals succeed when you persuade customers through consistent reinforcement that your brand has benefits they want or need.

(i) To Increase Awareness:

Increased brand awareness is not only one of the most common marketing communication objectives; it is also typically the first for a new company. When you initially enter the market, you have to let people know your company and products or services exist.

This might include broadcast commercials or print ads that depict the image of your company and constant repetition of your brand name, slogans and jingles. The whole objective is to become known and Memorable

Established companies often use a closely related goal of building or maintaining top- of-mind awareness, which means customers think of you first when considering your product category.

(ii) To Change Attitudes:

Changing company or brand perceptions is another common communication objective. Sometimes, misconceptions develop in the market about your company, products or services.

Advertising is a way to address them directly. In other cases, negative publicity results because your company is involved in a business scandal or unsettling activities.

Process of Communication in Marketing:

Marketing communication involves sharing of meaning, information and concepts by the source and the receiver about the products and services and also about the firm selling through the devices of promotion via, advertising, publicity, salesmanship and sales promotion.

In marketing the source is the marketer who desires to promote the product. Marketer delivers a message to a receiver, who is the target market segment. Message is received and integrated by consumers and if their predisposition becomes favorable, they decide to purchase. Feedback is the reverse flow of communication to the marketer.

Marketing communication may be distorted particularly when a message passes through a number of channels. Noise can arise due to faulty transmission, faulty reception. Competitive communication constitutes the most serious noise.

Communication is a process of exchanging verbal and non-verbal messages. It is a continuous process. Pre-requisite of communication is a message. This message must be conveyed through some medium to the recipient.

It is essential that this message must be understood by the recipient in same terms as intended by the sender. He must respond within a time frame. Thus, communication is a two way process and is incomplete without a feedback from the recipient to the sender.

The main components of communication process are as follows:

(i) Context:

Communication is affected by the context in which it takes place. This context may be physical, social, chronological or cultural. Every communication proceeds with context. The sender chooses the message to communicate within a context.

(ii) Sender/Encoder:

Sender/Encoder are a person who sends the message. A sender makes use of symbols to convey the message and produce the required response. Sender may be an individual or a group or an organization. The views, background, approach, skills, competencies and knowledge of the sender have a great impact on the message.

The verbal and non-verbal symbols chosen are essential in ascertaining interpretation of the message by the recipient in the same terms as intended by the sender.

(iii) Message:

Message is a key idea that the sender wants to communicate. It is a sign that elicits the response of recipient. Communication process begins with deciding about the message to be conveyed. It must be ensured that the main objective of the message is clear.

(iv) Medium:

Medium is a means used to exchange/transmit the message. The sender must choose an appropriate medium for transmitting the message else the message might not be conveyed to the desired recipients.

The choice of appropriate medium of communication is essential for making the message effective and correctly interpreted by the recipient.

(v) Recipient/Decoder:

Recipient/Decoder are a person for whom the message is intended/aimed/targeted. The degree to which the decoder understands the message is dependent upon various factors such as knowledge of recipient, their responsiveness to the message, and the reliance of encoder on decoder.

(vi) Feedback:

Feedback is the main component of communication process as it permits the sender to analyze the efficacy of the message. It helps the sender in confirming the correct interpretation of message by the decoder. Feedback may be verbal or non-verbal. It may take written form also in form of memos, reports, etc.

A marketing communication budget provides a formal process for planning, tracking and measuring the impact of your expenditures on marketing communications activities such as advertising, direct marketing, online or events. The budget sets out the funding required to meet your communications objectives and provides a method of managing the expenditure over a budget year.

Objectives of Marketing Communication Budget

The marketing communication budget is part of the wider marketing planning process. Your marketing strategy establishes how you will achieve your marketing objectives. Marketing communications strategy describes the techniques you will use to deliver key messages to the target audience. The objective of the marketing communication budget is to achieve the communication goals as cost effectively as possible and demonstrate a successful return on investment. Some organizations separate above-the-line expenditures on advertising from below-the-line activities such as product information, social media or direct marketing.

Scope of Marketing Communication Budget

The budget covers the direct and indirect costs of communications programs. A budget for product information, for example, would include costs of copy writing, design, printing and distribution. A budget for an event such as an exhibition would cover rent of exhibition space, booth design and production, client entertainment costs, event publicity and miscellaneous staff costs. Careful planning ensures that there are no surprises when the final bill arrives.

How to Prepare a Marketing Communication Budget?

Crafting a marketing communication budget serves as your advertising road map for the course of a year. Having a formal budget laid out lets you carefully evaluate where you are spending your advertising dollars and gives you complete control over your marketing initiatives. By having documentation that clearly outlines what you are spending, you can more easily calculate your return on investment later and identify which marketing campaigns were profitable and which were not.

Calculate how much your overall marketing budget will total so you can best decide how to divide it among various marketing communication actions. This number can be calculated based on a percentage of the previous year's sales or can be a set increase over the marketing budget of the previous year, depending on the financial parameters of your company.

Decide what types of advertising you will do throughout the year so you can begin to calculate how you can divide the budget. Typical segments of a marketing communication budget include print, web, TV, radio and outdoor advertising, though this could vary depending on your advertising needs.

Review the previous year's advertising budget and return on investment reports, if applicable, to gauge the costs for advertising campaigns, as well as the most lucrative and effective advertising investments you made.

Assign a budget to each section of your advertising campaign and break it down by month or week. For example, TV advertising campaigns often work in quarterly or yearly contracts. Divide this sum by the months affected to get a monthly breakdown. A print campaign might change from week to week. Calculate what your weekly plans amount to over a month.

Set aside some of the marketing budget for new advertising ventures. A last-minute deal might be offered by an advertising sales representative, or you might come across an advertising opportunity you weren't aware of when calculating your yearly budget. Having a fund for new advertising opportunities can give you the freedom to take advantage of these marketing campaigns without going over budget.

Include a segment of the advertising budget for marketing materials, such as letterhead, flier printing, T-shirts or giveaway items. Promotional items are an effective branding tool so you need to account for this area of advertising within your budget.

Advertising:

Definition: Advertising is a means of communication with the users of a product or service. Advertisements are messages paid for by those who send them and are intended to inform or influence people who receive them, as defined by the Advertising Association of the UK.

Description: Advertising is always present, though people may not be aware of it. In today's world, advertising uses every possible media to get its message through. It does this via television, print (newspapers, magazines, journals etc), radio, press, internet, direct selling, hoardings, mailers, contests, sponsorships, posters, clothes, events, colours, sounds, visuals and even people (endorsements).

The advertising industry is made of companies that advertise, agencies that create the advertisements, media that carries the ads, and a host of people like copy editors, visualizers, brand managers, researchers, creative heads and designers who take it the last mile to the customer or receiver. A company that needs to advertise itself and/or its products hires an advertising agency. The company briefs the agency on the brand, its imagery, the ideals and values behind it, the target segments and so on. The agencies convert the ideas and concepts to create the visuals, text, layouts and themes to communicate with the user. After approval from the client, the ads go on air, as per the bookings done by the agency's media buying unit.

What is sales promotion?

Sales promotion is any initiative undertaken by an organisation to promote an increase in sales, usage or trial of a product or service (i.e. initiatives that are not covered by the other elements of the marketing communications or promotions mix). Sales promotions are varied.

(a) Buy-One-Get-One-Free (BOGOF) – which is an example of a self-liquidating promotion. For example if a loaf of bread is priced at $1, and cost 10 cents to manufacture, if you sell two for $1, you are still in profit – especially if there is a corresponding increase in sales. This is known as a PREMIUM sales promotion tactic.

(b) Customer Relationship Management (CRM) incentives such as bonus points or money off coupons. There are many examples of CRM, from banks to supermarkets.

(c) New media – Websites and mobile phones that support a sales promotion. For example, in the United Kingdom, Nestle printed individual codes on KIT-KAT packaging, whereby a consumer would enter the code into a dynamic website to see if they had won a prize. Consumers could also text codes via their mobile phones to the same effect.

(d) Merchandising additions such as dump bins, point-of-sale materials and product demonstrations.

e) Free gifts e.g. Subway gave away a card with six spaces for stickers with each sandwich purchase. Once the card was full the consumer was given a free sandwich.

(f) Discounted prices e.g. Budget airline such as EasyJet and Ryanair, e-mail their customers with the latest low-price deals once new flights are released, or additional destinations are announced.

(g) Joint promotions between brands owned by a company, or with another company's brands. For example fast food restaurants often run sales promotions where toys, relating to a specific movie release, are given away with promoted meals.

(h) Free samples (aka. sampling) e.g. tasting of food and drink at sampling points in supermarkets. For example Red Bull (a caffeinated fizzy drink) was given away to potential consumers at supermarkets, in high streets and at petrol stations (by a promotions team).

(i) Vouchers and coupons, often seen in newspapers and magazines, on packs.

(j) Competitions and prize draws, in newspapers, magazines, on the TV and radio, on The Internet, and on packs.

(k) Cause-related and fair-trade products that raise money for charities, and the less well off farmers and producers, are becoming more popular.

(l) Finance deals – for example, 0% finance over 3 years on selected vehicles.

Many of the examples above are focused upon consumers. Don't forget that promotions can be aimed at wholesales and distributors as well. These are known as Trade Sales Promotions. Examples here might include joint promotions between a manufacturer and a distributor, sales promotion leaflets and other materials (such as T-shirts), and incentives for distributor sales people and their retail clients.

Often they are original and creative, and hence a comprehensive list of all available techniques is virtually impossible (since original sales promotions are launched daily!). Here are some examples of popular sales promotions activities.

PUBLIC RELATIONS AND PUBLICITY:

Public Relations (PR) means professionally handling a positive public image by the company. It is an important element of promotion mix, that helps in maintaining good relations with the public. On the contrary, Publicity is infotainment, i.e. which tends to inform and entertain the general public at the same time. It provides some interesting, juicy, controversial news to the general public, that has the capability of changing their opinion or outlook, about the product or company.

While the main aim of publicity is to gain maximum possible media coverage, public relations is about getting the attention of the target audience.

Definition of Publicity

Publicity is defined as the way of disseminating information to the public at large, through media. It can be in the form of news, stories, event information or write-ups, that creates awareness and credibility in the people regarding a brand, product or the company offering them.

Publicity aims at spreading the information or news, to the maximum number of people, in minimum time. It is a non-paid form of communication, which is not under the control of the company. It can be a positive review regarding a product, i.e. mobile, television, refrigerator, etc. given by a satisfied customer, or information published in the newspaper regarding the quality-rich services provided by a company, or it can be a simple word of mouth, etc.

In a nutshell, publicity has nothing to do with the company's sales; it is all about creating awareness in general public through editorial or unbiased comments concerning a product.

Definition of Public Relations

Public Relations can be understood as the strategic management tool, which helps an organization to communicate with the public. Here, 'public' means the group of people that have an interest in or impact on a company's ability to achieve business objectives. It is not only concerned with getting public attention, but it also aims at reaching the goals of the organization, by communicating the message to the target audience. It includes press releases, crisis management, social media engagement, etc.

Public Relations is all about maintaining the positive image of the company in the eyes of the public and developing strong relationships with them. It encompasses a range of programs organised by the company to promote its product and services. There are many companies, which have public relations department, which looks after the attitude of the appropriate public and also spread information to them, to increase the goodwill.

The functions performed by the public relations department include press relations, corporate communications, counselling, product publicity, etc.

BASIS FOR COMPARISON	PUBLICITY	PUBLIC RELATIONS
Meaning	Publicity refers to a public relation function, that uses any communication channel to convey news or information about someone or something, through media.	Public Relations is a marketing tool, that is used to maintain goodwill and reputation of the company and its product among people.
Control	It is not under the control of company.	It is controlled by the company
Nature	Positive or Negative	Positive
Form of communication	Non-paid Communication	Paid Communication
Intends	Public awareness	Public attention

What Is Direct Marketing?

Direct marketing is an advertising strategy that relies on the individual distribution of a sales pitch to potential customers. Mail, email, and texting are among the delivery systems used. It is called direct marketing because it generally eliminates the middleman such as advertising media

Unlike most marketing campaigns, direct marketing campaigns do not rely on advertising in mass media. Instead, they deliver their sales pitches by mail, by phone, or by email. Although the numbers of pitches sent can be massive, an attempt is often made to personalize the message, inserting the recipient's name or city in a prominent place.

The Advantages and Disadvantages of Direct Marketing

A direct marketing pitch that is delivered to the widest possible audience is probably the least effective. That is, the company may gain a few customers while merely annoying all of the other recipients. Junk mail, spam email, and texting all are forms of direct marketing that many people can't get rid of fast enough.

Many companies engage in opt-in or permission marketing, which limits their mailing or emailing to people who have indicated a willingness to receive it. Lists of opt-in subscribers are particularly valuable as they indicate a real interest in the products or services being advertised.

Who Uses Direct Marketing

Despite its drawbacks, direct marketing has its appeal, particularly to companies on a shoestring budget who can't afford to pay for television or internet advertising campaigns.

Direct marketing is the preferred advertising strategy for small local businesses, which can distribute hundreds of fliers, coupons, or menus for less than it would cost them to place an ad or make a commercial.

By its nature, the effectiveness of a direct marketing campaign is easier to measure than other types of advertising. This is because they often contain a call to action. The company an measure its success by how many consumers make the call, return the card, use the coupon, or click on the link.

UNIT 5

MARKETING CHANNELS

Marketing channels are channels used by any company to reach their end customers. These channels are generally interdependent on each other and interact with each other so as to ensure that the product reaches from the company to the end customer.

Definition of Marketing Channels

Marketing Channels can be defined as the set of people, activities, and the intermediary organizations that play a crucial role in transferring the ownership of the goods from the point of production or manufacturing to the point of consumption. Basically, they are the various channels or platforms through which the products reach to the consumers or the end-users. They are also known as the distribution channels.

TYPES OF MARKETING CHANNELS:

1) Manufacturer to Consumer

This is one of the most simple and effortless types of the Marketing Channels as the goods produced reach to the consumers directly from the house of manufacturer. It works as cost-effective and profitable for both the parties involved as there is no further involvement of the middlemen such as retailer, wholesalers, and agents that charge their commission increasing the overall price of the products.

Example of this marketing channel: There are many bakeries and handmade chocolatier brands that directly sell their confections to their customers through their shop, eating joint, or home delivery through the orders placed on the website or social media handles of the bakery owners or chocolatiers.

2) Manufacturer to Retailer to Consumer

This type of Marketing Channels is one of the highly adopted and preferred channels in the industry. The manufacturers who specialize in the manufacturing of the shopping goods such as shoes, furniture, and fashion apparels amongst others opt for this Marketing Channel.

Example of this marketing channel : The various items of furniture from the manufacturers of China that are displayed and sold through the local retailers are marketed and distributed through the above-mentioned channel. They procure the furniture items directly from the manufacturers in China and sell it to the local market adding their profit margins attaching the brand name of imported furniture.

3) Manufacturer to Wholesaler to Consumer

This category of Marketing Channel is usually adopted by the consumers who are looking out for bulk purchases of the specific items and procuring the same from the wholesaler works out quite easy and cost effective for them owing to the economies of scale factor plus no involvement of other intermediaries. The wholesaler reduces the cost to the consumer such as service cost or sales force cost making the items available to the consumer at cheaper rates.

Example of this marketing channel: Shopping from the factory outlets of the brand or warehouse clubs where the consumer has to sign for the membership with the wholesaler in order to buy the products at cheaper rates.

4) Manufacturer to Agent to Wholesaler to Retailer to Consumer

This type of Marketing Channel involves more than one middleman or intermediary making the goods reach to the consumers. The agents or the middlemen helps and assists with the sale of the goods and charge their commission from the manufacturer. They are quite helpful when the goods need to reach the consumers in a short span of time

IMPORTANCE OR NEED OF MARKETING CHANNELS:

1) Information provider

The first and foremost aspect in the list of the importance of the Marketing Channels is that the middlemen such as agents provide the vital and crucial market information to the manufacturer that helps him to plan his production and other related business strategies accordingly. Developments in the market such as the change in the preferences in the taste of the consumer, entry of new manufactures in the market, shift in the government policies, and the various pricing points of the other manufacturers are given to the manufacturer without any additional cost owing to their relationship and working association with the manufacturer.

2) Stability of the price

Yet another important function that is performed by the middlemen is that they maintain the stability of price by absorbing the increment along with keeping the overheads cost low and charge the consumers with the old price of the products. Their main motive behind this strategy is to have a strong foothold in the market due to the completion from the other middlemen in the market.

3) Promotion

Another aspect in the importance of Marketing Channels is that the middlemen perform the function of promoting the goods of the manufacturer by planning and designing their own sales incentive and customer loyalty programs to attain their sales targets and increased market share objectives. This ultimately works for the benefit of the manufacturer and all the parties involved in the process.

4) Pricing strategy

As the middlemen and the agents are at the sales field on a daily basis and have a thorough knowledge about the marketing dynamics and the customer preferences, many manufacturers ask for their suggestion whilst deciding on the pricing of the various products. The pricing and the features of the products are also customized for the different set of target markets and consumers along with the channel of distribution.

5) Matching the demand and supply of the products

The main and significant function of the middlemen and commission agents in the Marketing Channels is to match the demand and supply of the products in the target market. They should provide the manufacturers with the crucial information on how to assemble the goods to match the taste and preferences of the targeted consumers that result in the ease of sales and attainment of the sales objectives of the manufacturer.

Conclusion

In case of the large manufacturers of the products, the manufacturers require the well aligned and properly planned Marketing Channels so that the products reach to the end users in a convenient and effortless manner.

The success of any marketing channel lies in the foundation of right channel design decision. But channel design is just the planning part; it needs right implementation to be successful. The implementation can be taken care of, with the help of channel management decisions, it includes right from, selecting a channel member to training them to motivating them and to evaluating them on their performance. In case, the performance is not as expected, the modifications are done by the company in the channel arrangements.

Step # 1. Selecting Channel Members:

The first priority for any company is choosing the right channel members. As the business is dependent upon the marketing channel partners, it becomes crucial for the success of any company to select the best channel partner. All the companies whether it's a product manufacturing company like Colgate or Onida or a service company like IMS or Career Launcher, needs a good channel partner to succeed.

Generally all the companies advertise through newspapers and trade magazines to look out for channel partners. If the company is known and successful, it becomes quite easy for the company to find them. But in the case of a new company launching a new product, then finding a channel partner can be tough. In both the cases, the parameters for choosing a channel partner should be very clear for the company as well as the channel partner.

In some businesses, like opening a McDonald's franchisee, the location becomes more important than in any other business. As the business is dependent on the footfalls it can get. The company can evaluate any channel partner on the basis of business experience, financial capabilities, locational advantages, growth and profit record, experience of the promoters. In the case of exclusive distribution, these parameters become more important for the company.

Step # 2. Training Channel Partners:

Once the channel partner is selected, they need to be trained as they are the face of the company. All the companies have intensive training programmes for its dealers to tell them about their sales and service capabilities, product knowledge, expected service quality and operational procedures to follow. For example, LG Electronics India regularly trains its sub-dealers, direct dealers and service franchisees.

The training tries to facilitate performance, improve knowledge, skills and attitude of its dealers and sales staff. The training is given both through online and offline methods, which covers functional, technical and behavioral aspects. Similarly Kirloskar Brothers Limited (KBL) makes the customers and dealers aware of the fundaments and working principles of Centrifugal Pumps, enabling them to operate and maintain the equipment more efficiently. The training program is designed by KBL to offer best possible theoretical as well as practical knowledge to their valued customers and dealers.

Step # 3. Motivating Channel Members:

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

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

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

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

Step # 4. Evaluating Channel Members:

Channel members are evaluated on the basis of their sales, inventory level, service support, delivery time performance, complaint redressal, promotional program implementation and training performance.

If the performance of the channel member is satisfactory, then it is rewarded for its efforts and if the performance falls below mark, it is advised to make necessary changes in the processes. In case of channel members, where the problems are beyond rectification, they are removed and the company appoints a new channel member.

Step # 5. Modifying Channel Arrangements:

With the changing times, the company needs to modify its channel arrangements. The product line can expand, the consumers buying pattern can change, the new competition can come up, a new distribution channel can emerge or the demand of the product can change by getting into the later stages of product life cycle. All these factors can lead the company to change its channel arrangement.

When Intex started their operations in 1996, they had just one product – Ethernet card. Now the product has expanded to 26 product groups with more than 300 stock keeping units. Now their marketing channel consist of 2 mother warehouses, 2 regional offices, 28 branches, 57 service centres, 183 service franchises and more than 2000 channel partners. Similarly with the growing usage of Internet, all the retailers are trying to follow a brick and click model, where they sell their merchandise in their stores and they sell it online also. Kishore Biyani’s Future group is a good example of the same.

They target their customers through a brick model with Big Bazaar, Pantaloons, E-Zone, Home Town etc. and follow the customers online through their click model i.e. www(dot)futurebazaar(dot)com and www(dot)ezoneonline(dot)com . From time to time, a company needs to track the changes in the market and on this basis; they need to modify their channel members.

Channel Management Strategy:

Definition: The term Channel Management is widely used in sales marketing parlance. It is defined as a process where the company develops various marketing techniques as well as sales strategies to reach the widest possible customer base. The channels are nothing but ways or outlets to market and sell products. The ultimate aim of any organization is to develop a better relationship between the customer and the product.

RETAILING

Includes all the activities in selling goods or services directly to final consumers for personal. Does not matter if the organization is a manufacturer, wholesaler, or retailer; if it is selling to final consumers, is doing retailing. Besides that, does not matter how the goods or services are sold (in person, by mail, telephone, vending machine, or on the Internet) or where (in a store, on the street, or in the consumer's home).

Types of Store Retailing:

Specialty store: narrow product line.

Department store: several product lines.

Supermarket: large, low-cost, low-margin, high-volume, self-service store designed to meet total needs for food and household products.

Convenience store: small store in residential area, limited line of high-turnover convenience products.

Discount store: standard or specialty merchandise; low-price, low-margin, high-volume stores.

Off-price retailer: leftover goods, overruns, irregular merchandise sold at less than retail.

Superstore: huge selling space, routinely purchased food and household items, plus services.

Catalogue showroom: broad selection of high-markup, fast-moving, brand-name goods sold by catalogue at discount. Customers pick up merchandise at the store.

WHOLESALING

Wholesaling includes all the activities in selling goods or services to those who buy for resale or business use. It excludes manufacturers and farmers because they are engaged primarily in production, and it excludes retailers. Major type of retailers:

Merchant wholesalers: Independently owned businesses that take title to the merchandise they handle. They are full-service and limited-service jobbers, distributors, mill supply houses.

Full-Service wholesalers: Carry stock, maintain a sales force, offer credit, make deliveries, provide management assistance. Wholesale merchants sell primarily to retailers.

Limited-service wholesalers: cash and carry wholesalers sell a limited line of fast-moving goods to small retailers for cash.

Brokers and agents: facilitate buying and selling, on commission of 2% to 6% of the selling price; limited functions; generally, specialize by product line or customer type. Brokers bring buyers and sellers together and assist in negotiation; paid by the party hiring them. Agents represent buyers or sellers on a more permanent basis.

Manufacturers and retailers branch and offices: Separate branches and offices are dedicated to sales or purchasing. Many retailers set up purchasing offices in major market centers.

Specialized Wholesalers: Wholesalers specialized in one area. Agricultural, Petroleum, etc.

LOGISTICS

Physical distribution has been expanded into the broader concept of supply chain management (SCM). SCM involves procuring the right inputs; converting them efficiently into finished products; and dispatching them to the final destination.

Market logistics includes planning the infrastructure to meet demand, then implementing and controlling the physical flows of materials and final goods from points of origin to points of use, to meet customer requirements at a profit. Studying market logistics leads managers to find the most efficient way to deliver value. It has four steps:

- Deciding on the company's value proposition to its customers.
- Deciding on the best channel design and network strategy for reaching the customers.
- Developing operational excellence in sales forecasting, warehouse management, transportation management, and materials management.
- Implementing the solution with the best information systems, equipment, policies, and procedures.