



# **MARKETING MANAGEMENT**

**Course code:CMBB19**

**MBA II semester**

**Regulation: IARE R-18**

**BY**

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# Course outcomes

CO's	Course outcomes
CO1	Understand the importance, scope, philosophies, strategies and plans of marketing.
CO2	Demonstrate the concept of market research, marketing information system, process and types of market research.
CO3	Explain the concept of consumer decision making, creating customer value, consumer behavior and forms of consumer markets.
CO4	Discuss the cultural, social and personal factors developing products and brands, product cycle and new product development.
CO5	Design the concept of segmentation of consumer market, business market, requirements for effective segmentation and market targeting.

# Course outcomes

CO's	Course outcomes
CO6	Evaluate the market segmentation and select target market segmentation through positioning maps and positioning strategy.
CO7	Develop marketing channels, channel intermediaries, channel structure and channel for consumer products.
CO8	Create the promotional mix, advertising, public relations, sales promotions, personal selling and marketing communication.
CO9	Examine the concept of communication promotion mix and factors affecting the promotion mix.
CO10	Analyze the concept of balance of payments, forms of marketing, marketing sustainability, ethics and global marketing.



# UNIT– I

## INTRODUCTION TO WORLD OF MARKETING

# What is Marketing

- Marketing deals with identifying and meeting human and social needs. It means “Meeting needs profitably”.
- **AMA formal definition of Marketing:** Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customer and for managing customer relationships in ways that benefit the organization and its stakeholders.
- **Marketing Management:** the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value
- **Social definition:** Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others

# Unit- I: What is Marketing?

- **Managerial definition of Marketing** : “The art of selling products”

## **Marketing:**

It is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization.

Value

Relationship marketing

Mass customization

Customer relationship management (CRM)

# Importance of Marketing

1. Financial Success often depends on marketing ability
2. All business functions will not really matter if there is no sufficient demand for products and services
3. Companies at greatest risk are those that fail to carefully monitor their customers and competitors
4. Skillful marketing is a never-ending pursuit .
  - What is Marketing?
  - What is to be Marketed?
  - Who are the Marketers?

# What is Marketed?

- Goods, Services, Events , Experiences ,Persons ,Places , Properties.



**A simple Marketing System**



# Markets

## **Key Customer Markets:**

- Consumer Markets
- Business Markets
- Global Markets
- Non-Profit Governmental Markets
- Market place – physical
- Market space – digital
- Meta market – (Shawhney) a cluster of complementary products and services that are closely related in the minds of the consumers but are spread across a diverse set of industries

# Who are the Marketers?

## Marketers and Prospects

- A Marketer is someone seeking a response from another party, called the prospect.
  - Marketing managers seek to influence the level, timing, and composition of demand to meet the organization's objectives.
- Eight

## Demands states are possible:

- Negative Demand
- Non-existent demand
- Latent demand
- Irregular demand
- Declining demand
- Irregular demand
- Full demand
- Overfull demand
- Unwholesome demand

# Marketing in Practice

1. Marketing is not done only by the marketing department-it needs to affect every aspect of the customer experience
2. Companies now know that every employee has an impact on the customer
3. Marketing follows a logical process.
4. Five key functions for a CMO in leading marketing within an organization:
  - Strengthening the brands
  - Measuring Marketing Effectiveness
  - Driving new product development based on customer needs
  - Gathering meaningful customer insights
  - Utilizing new marketing technology

# Needs, Wants, and Demands

- Needs are the basic human requirements (food, air, water, clothing and shelter + recreation, education, and entertainment)
- Needs become *wants* when they are directed to specific objects, and are shaped by one's society
- Demands are wants for a specific product backed by an ability to pay
  - Stated Needs
  - Real Needs
  - Unstated needs
  - Delight needs
  - Secret Needs

# Target Markets, Positioning and Segmentation

- A marketer can rarely satisfy everyone in a market
- Marketers start by dividing the market into segments (demographic, psychographic, and behavioral differences)
- The marketer chooses its target markets – the segments which present the greatest opportunity
- For each chosen target market, the firm develops a *market offering*
- The offering is *positioned* in the minds of the target buyers as delivering some central.
- Offering is a combination of products, services, information and experiences- a set of benefits firms offer to customers to satisfy their needs
- Brand is an offering from a known source.

# Value and Satisfaction



1. *Value* reflects the perceived tangible and intangible benefits and costs to customers
  - Can be seen as primarily a combination of quality, service and price (QSP)
  - Value increases with quality and services and decreases with price
  - Value is a central marketing concept
2. Satisfaction reflects a person's comparative judgments resulting from a product perceived performance in relation to his or her expectations

# Marketing Channels

To reach a target market, the marketer uses three kinds of marketing channels:

- **Communication Channels**  
(newspapers, magazines, television, radio, mail, telephone, billboards, etc.)
- **Distribution Channels** – used to display, sell, or deliver the physical product or services to the buyer or user (distributors, wholesalers, retailers, and agents)
- **Service Channel** – used to carry out transactions with potential buyers (warehouses, transportation companies, banks, and insurance companies)
- The supply chain is a longer channel stretching from raw materials to component to final products that are carried to final buyers.
- Represents a value delivery system

# Market Competition

- Includes all the actual and potential rival offerings and substitutes that a buyer might consider. There are several possible levels of competitors.
  1. **Task Environment** – includes immediate actors involved in producing, distributing, and promoting the offering
  2. **Broad Environment** – consists of 6 components: demographic environment, economic environment, physical environment, technological environment, political-legal environment, and social-cultural environment.





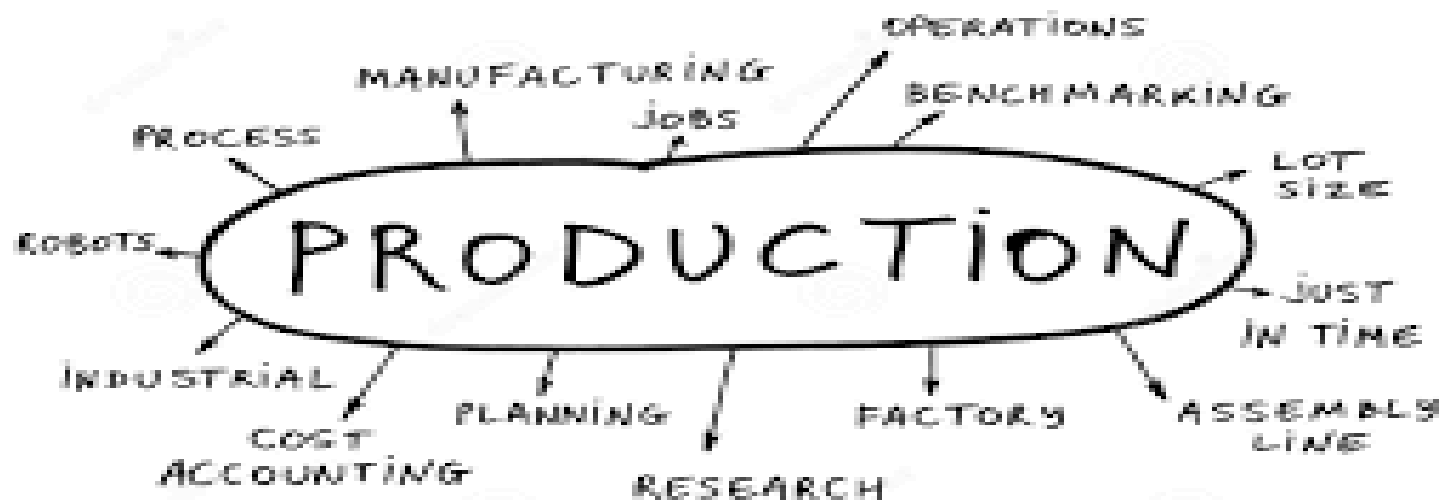
# Marketing Philosophies

- The marketing management philosophies are those that direct the marketing operation of organization. It guides marketer to plan and implement their activities.
- Some major marketing management philosophies are
  1. Production concept,
  2. Product concept,
  3. Selling concept,
  4. Marketing concept,
  5. Societal marketing concept,
  6. Holistic marketing concept.



# Production Concept

- It is the oldest marketing concept concentrate on higher production efficiency and wide distribution.
- It believes that consumer will favour those products that are widely available and low in cost.
- In this concept all business efforts are directed at rising output levels.
- produce standardized product; and sell at lower price.



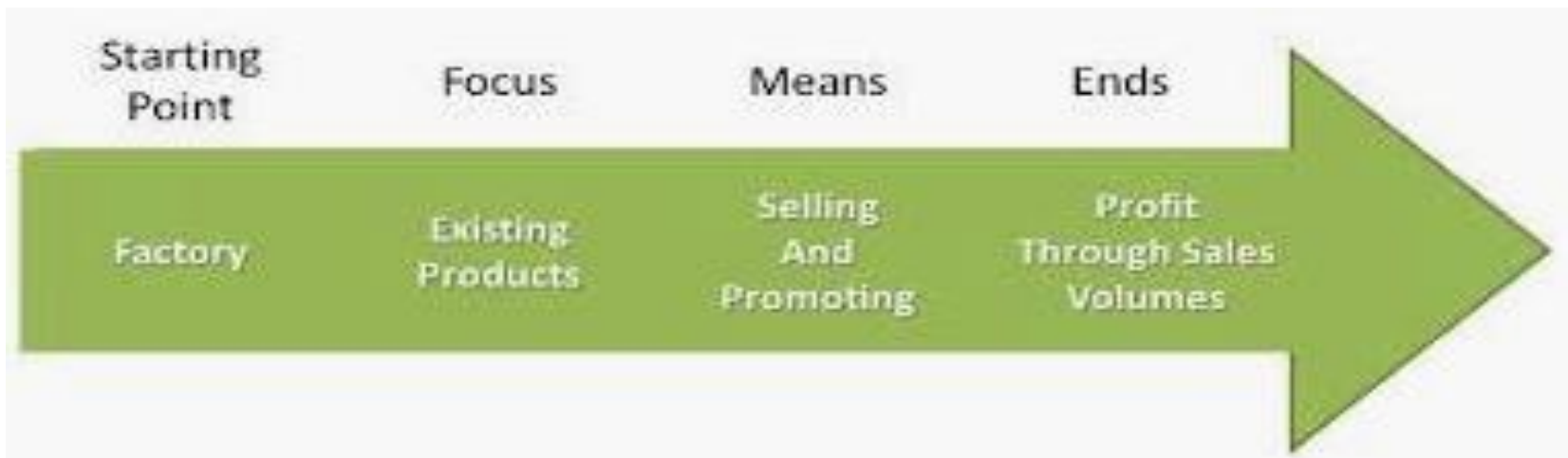
# Product Concept

- The product concept is slight modification on production concept.
- The major emphasis of product concept is on product quality, performance and features.
- It believes that consumers respond to good quality products that are reasonably priced.



# Selling Concept

- Selling concept evolved out of the failure of the product and production concept.
- It is based on the idea that people will buy more goods and services if aggressive selling method are used.
- It believes that people ordinarily will not buy the organization's product unless they are persuaded to buy.



# Marketing Concept

- Marketing concept is based on the notion that the main task of the organization is to know the needs, wants and value of the target market.
- It believes that the key to achieving organizational objectives lies in being more effective than competitors towards determining and satisfying the need and want of the target markets.

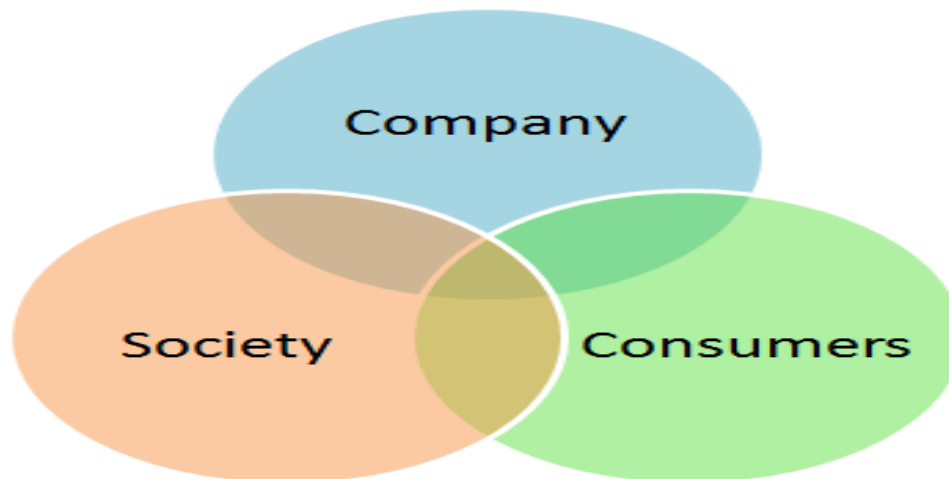


# Fundamental Principles Of Marketing Concept

- **Target Market Focus:-** An organization can do better if it can define the boundaries of its operation and follow a market tailored strategy.
- **Customer Orientation:-** Once an organization adopts the marketing concept customer satisfaction becomes its main focus.
- **Integrated Marketing:-** The principle of integrated marketing calls for a full coordination and integration of various marketing activities performed within organization.
- **Profitability:-** The principle of profitability calls for an analysis of every business opportunity from the point of profitability.

# Societal Marketing Concept

- The societal marketing concept evolved out of the movements of consumerism and environmentalism.
- It believes that the organization should deliver the superior product to the market that maintains the consumers and society's wellbeing.
- It balance between the interests of the firm , consumers and society.



# Holistic Marketing Concept

- The holistic marketing concept is latest development in marketing thought.
- According to Philip Kotler, “the holistic marketing concept is based on the development, design, and implementation of marketing programs, processes, and activities that recognizes their breadth and interdependencies.”
- This concept is an integration of the marketing concept and societal marketing concept.





# Fundamental Principles Of Holistic Marketing Concept



- **Relationship Marketing:-**

It has the aim of building mutually satisfying long-term relations with key parties.

- **Integrated Marketing:-**

There must be a full integration of the marketing programs to create, communicate, and deliver superior value to customers.

- **Internal Marketing:-**

It is based on the notion that every body within organization is a marketer .

- **Social Responsibility Marketing:-**

It also based on societal marketing concept that calls for socially responsible marketing by taking seriously the ethical, legal, environmental, and social concern of people and society.

# What is the Value Chain?

The **value chain** is a tool for identifying ways to create more customer value because every firm is a synthesis of primary and support activities performed to design, produce, market, deliver, and support its product.



# Core Business Processes



1. A source of competitive advantage.
2. Applications in a wide variety of markets.

A **marketing plan** is the central instrument for directing and coordinating the marketing effort. It operates at a strategic and tactical level.

# Holistic Marketing

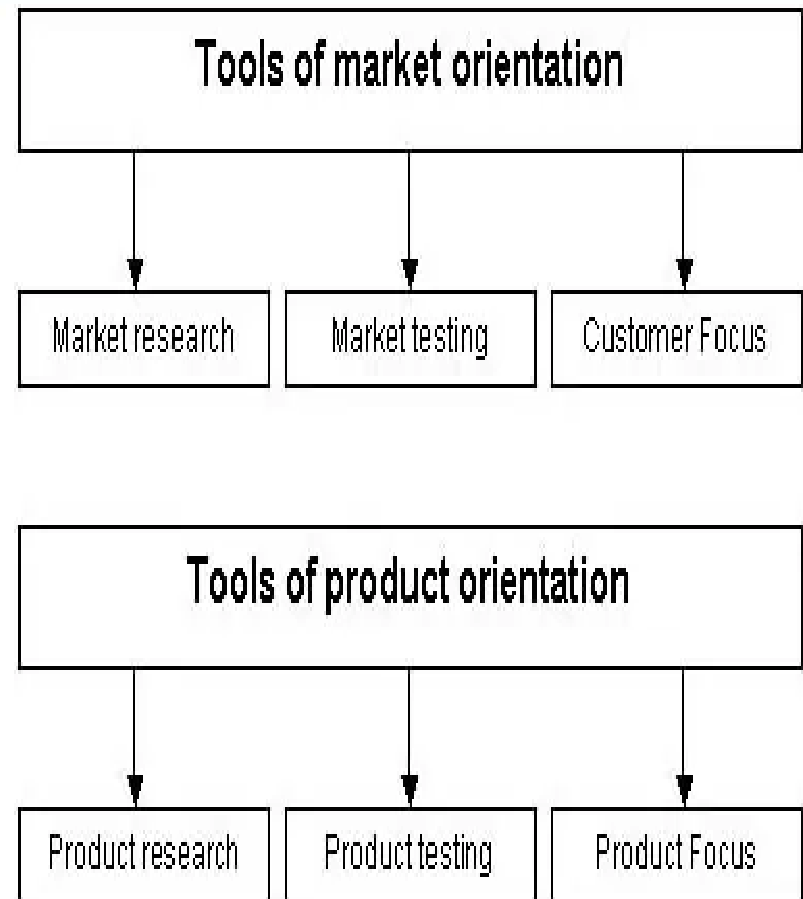
**Holistic Marketing** sees itself as integrating the value exploration, value creation, and value delivery activities with the purpose of building long-term, mutually satisfying relationships and co-prosperity among key stakeholders.

- Target marketing decisions
- Value proposition
- Analysis of marketing opportunities

- Product features
- Promotion
- Merchandising
- Pricing
- Sales channels
- Service

# Product Orientation vs. Market Orientation

1. carry out market research into what consumers want organize product research in line with the results of market research.
2. constantly engage in qualitative market research to find out what focus groups of customers think of new ideas test market new products in smaller market areas before launching them onto a wider market
3. evaluate ongoing customer perception of goods and services, in order to make improvements to technologies and product offerings.



## Assigning Resources to Each SBU

- Several investment planning models provide ways to make investment decisions as follows:
- The GE/McKinsey Matrix classifies each SBU by the extent of its competitive advantage and the attractiveness of its industry. Management can decide to grow, “harvest” or draw cash from, or hold on to the business.
- Another model, BCG’s Growth-Share Matrix, uses relative market share and annual rate of market growth as criteria to make investment decisions, classifying SBUs as dogs, cash cows, question marks, and stars.

# Assessing Growth Opportunities: Ansoff's Product-Market Expansion Grid



- **Integrative growth** backward, forward, or horizontal integration within its industry. For example, drug company giant merck has gone beyond just developing and selling ethical pharmaceuticals. It purchased medco, a mail-order pharmaceutical distributor in 1993, formed a joint venture with dupont to establish more basic research, and another joint venture with johnson & johnson to bring some of its ethical products into the over-the- counter market.
- 1. Media companies have long reaped the benefits of integrative growth.
- 2. Here is how one business writer explains the potential that NBC could reap from its merger with universal entertainment to become NBC universal.
- 3. Admittedly a far-fetched example, it gets across the possibilities inherent in this growth strategy.



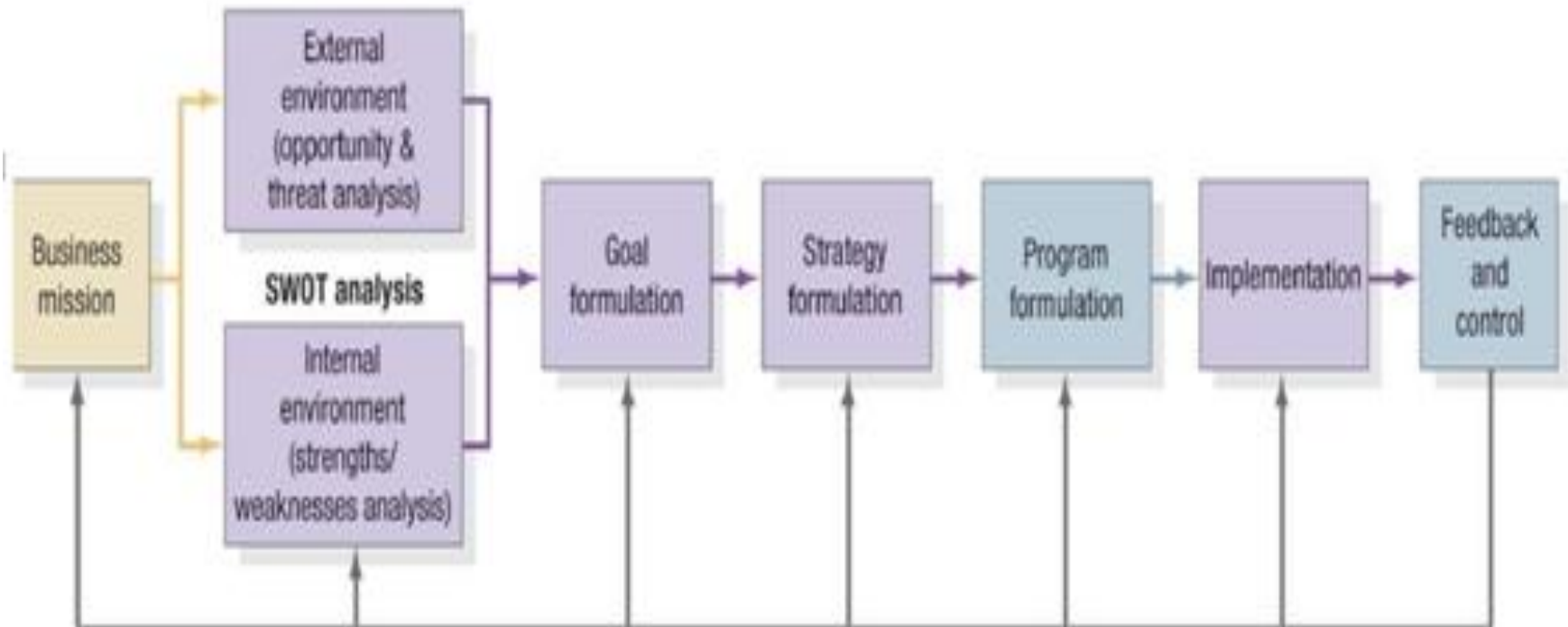
# Diversification growth:

## Diversification growth:

Diversification growth makes sense when good opportunities can be found outside the present businesses. A good opportunity is one in which the industry is highly attractive and the company has the right mix of business strengths to be successful.

For example, from its origins as an animated film producer, Walt Disney Company has moved into licensing characters for merchandised goods, entering the broadcast industry with its own Disney Channel as well as ABC and ESPN acquisitions, and developed theme parks and vacation and resort properties

# The Business Unit Strategic Planning Process



# Market Opportunity Analysis (MOA)

- Can the benefits involved in the opportunity be articulated convincingly to a defined target market?
- Can the target market be located and reached with cost-effective media and trade channels?
- Does the company possess or have access to the critical capabilities and resources needed to deliver the customer benefits?
- Can the company deliver the benefits better than any actual or potential competitors?
- Will the financial rate of return meet or exceed the company's required threshold for investment?

# Goal Formulation

Once the company has performed a SWOT analysis, it can proceed to **goal formulation**, developing specific goals for the planning period. Goals are objectives that are specific with respect to magnitude and time. Most business units pursue a mix of objectives, including profitability, sales growth, market share improvement, risk containment, innovation, and reputation. The business unit sets these objectives and then manages by objectives (MBO). For an MBO system to work, the unit's objectives must meet four criteria:

- Unit's objectives must be hierarchical
- Objectives should be quantitative
- Goals should be realistic
- Objectives must be consistent

# Strategic Formulation: Porter's Generic Strategies

- Overall cost leadership. Firms work to achieve the lowest production and distribution costs so they can underprice competitors and win market share.
- Differentiation. The business concentrates on achieving superior performance in an important customer benefit area valued by a large part of the market.
- Focus. The business focuses on one or more narrow market segments, gets to know them intimately, and pursues either cost leadership or differentiation within the target segment.

# Strategic Formulation : Marketing Alliances

- **Product or service alliances** : One company licenses another to produce its product, or two companies jointly market their complementary products or a new product.
- **Promotional alliances** : One company agrees to carry a promotion for another company's product or service
- **Logistics alliances** : One company offers logistical services for another company's product.
- **Pricing collaborations** : One or more companies join in a special pricing collaboration.

# Marketing Research: Definition

1. “Marketing research is the systematic design, collection, analysis and reporting of data and findings relevant to a specific marketing situation facing the company.”
2. Marketing research is the process of designing, gathering, analyzing, and reporting information that may be used to solve a specific marketing problem.
3. Marketing research is the systematic and objective
  - identification
  - collection
  - analysis
  - dissemination
  - and use of information

For the purpose of improving decision making related to the

- identification and
- solution of problems and opportunities in marketing.

# Marketing Research

Marketing research is the systematic and objective

- Identification
- Collection
- Analysis
- Dissemination
- Use of information





# Need For Marketing Research

Why do businesses need accurate and up-to-date information?

- To undertake marketing effectively
- Changes in technology
- Changes in consumer tastes
- Market demand
- Changes in the product ranges of competitors
- Changes in economic conditions
- Distribution channels

For the purpose of improving decision making related to the

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# Purpose Of Marketing Research

## Gain a more detailed understanding of consumers' needs:

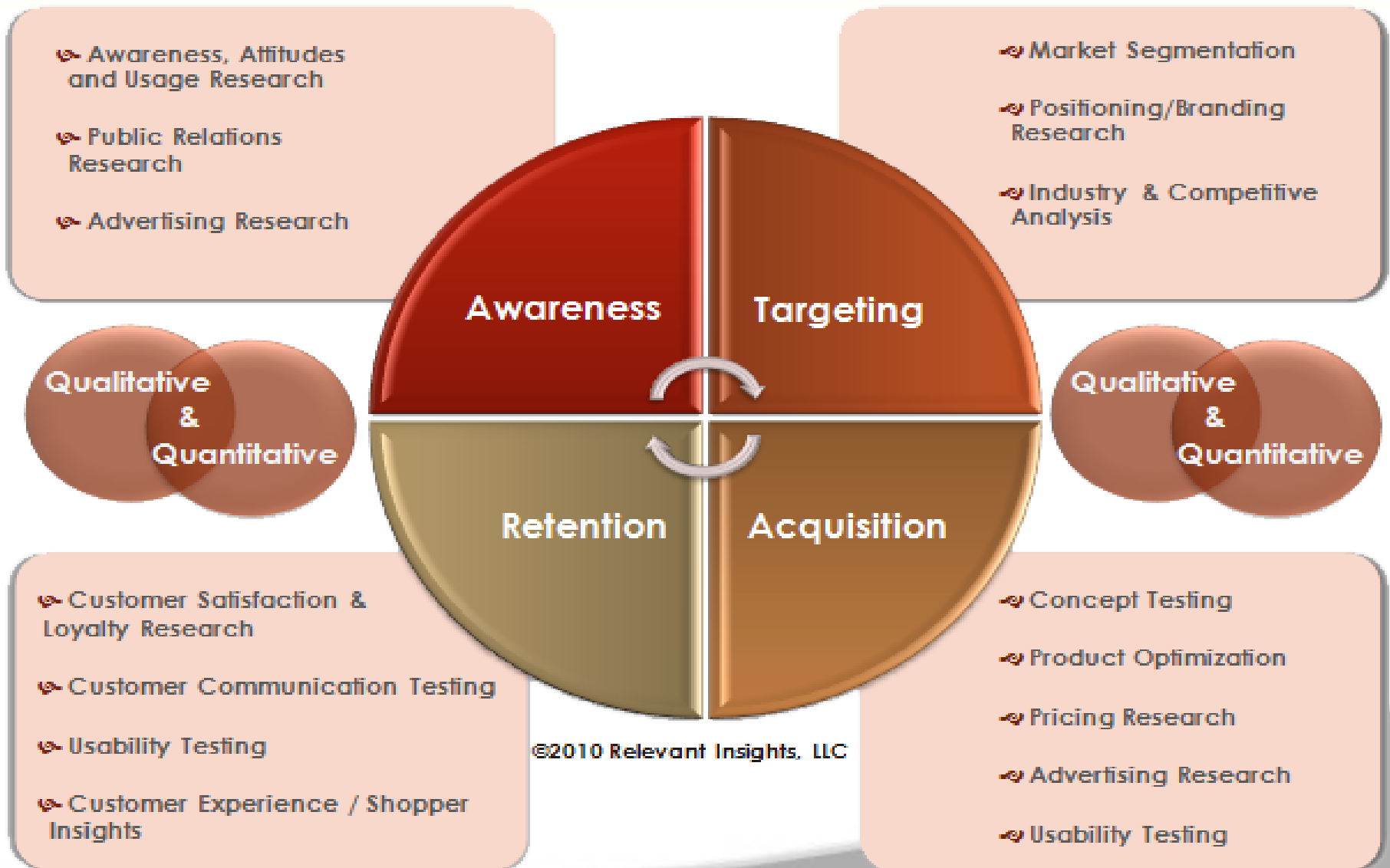
e.g., views on products' prices, packaging, recent advertising campaigns

**Reduce the risk of product/business failure:** there is no guarantee that any new idea will be a commercial success Can help to achieve commercial success

**Forecast future trends:** it can also be used to anticipate future customer needs



# Types of marketing research



# Marketing research methods

Methodologically, marketing research uses the following types of research designs:

## **Based on questioning**

- **Qualitative marketing research** - generally used for exploratory purposes - small number of respondents - not generalizable to the whole population - statistical significance and confidence not calculated - examples include focus groups, in-depth interviews,
- **Quantitative marketing research** - generally used to draw conclusions tests a specific hypothesis ,uses random sampling techniques so as to infer from the sample to the population - involves a large number of respondents , examples include surveys and questionnaires.
- Techniques include choice modelling, maximum difference preference scaling, and covariance analysis.

## Based on observations

- **Ethnographic studies** - by nature qualitative, the researcher observes social phenomena in their natural setting - observations can occur cross-sectionally (observations made at one time) or longitudinally (observations occur over several time-periods) - examples include product-use analysis and computer cookie traces. See also Ethnography and Observational techniques.
- **Experimental techniques** - by nature quantitative, the researcher creates a quasi-artificial environment to try to control spurious factors, then manipulates at least one of the variables - examples include purchase laboratories and test markets

# A Classification of Marketing Research

## Problem-Identification Research

- Research undertaken to help identify problems which are not necessarily apparent on the surface and yet exist or are likely to arise in the future.

Examples: market potential, market share, image, market characteristics, sales analysis, forecasting, and trends research.

## Problem-Solving Research

- Research undertaken to help solve specific marketing problems. Examples: segmentation, product, pricing, promotion, and distribution research.

# A Classification of Marketing Research



## Marketing Research

### Problem Identification Research

1. Market Potential Research Market Share
2. Sales Analysis Research Forecasting Research Business
3. Trends Research

### Problem-Solving Research

1. Segmentation Research Product Research
2. Pricing Research Promotion Research Distribution

# Problem-Solving Research

## Segmentation research

- Determine the basis of segmentation
- Establish market potential and responsiveness for various segments
- Select target markets
- Create lifestyle profiles: demography, media, and product image characteristics

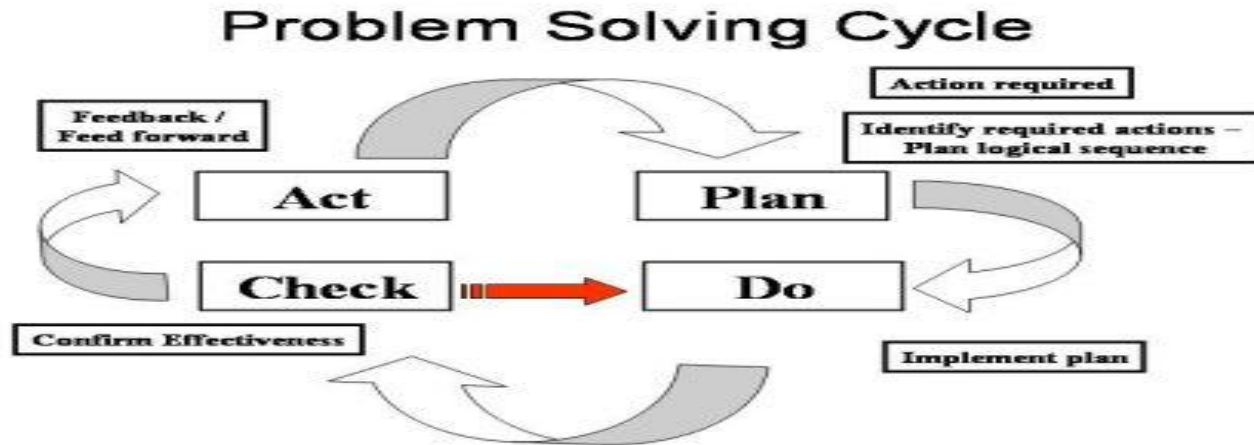
## Product research

- Test concept
- Determine optimal product design
- Package tests
- Product modification
- Brand positioning and repositioning
- Test marketing
- Control store tests





# Problem-Solving Research



## Distribution research

- Types of distribution.
- Attitudes of channel members.
- Intensity of wholesale & retail coverage Channel margins.
- Location of retail and wholesale outlets.

# Marketing Research Process

**Step 1: Defining the Problem**



**Step 2: Developing an Approach to the Problem**



**Step 3: Formulating a Research Design**



**Step 4: Doing Field Work or Collecting Data**

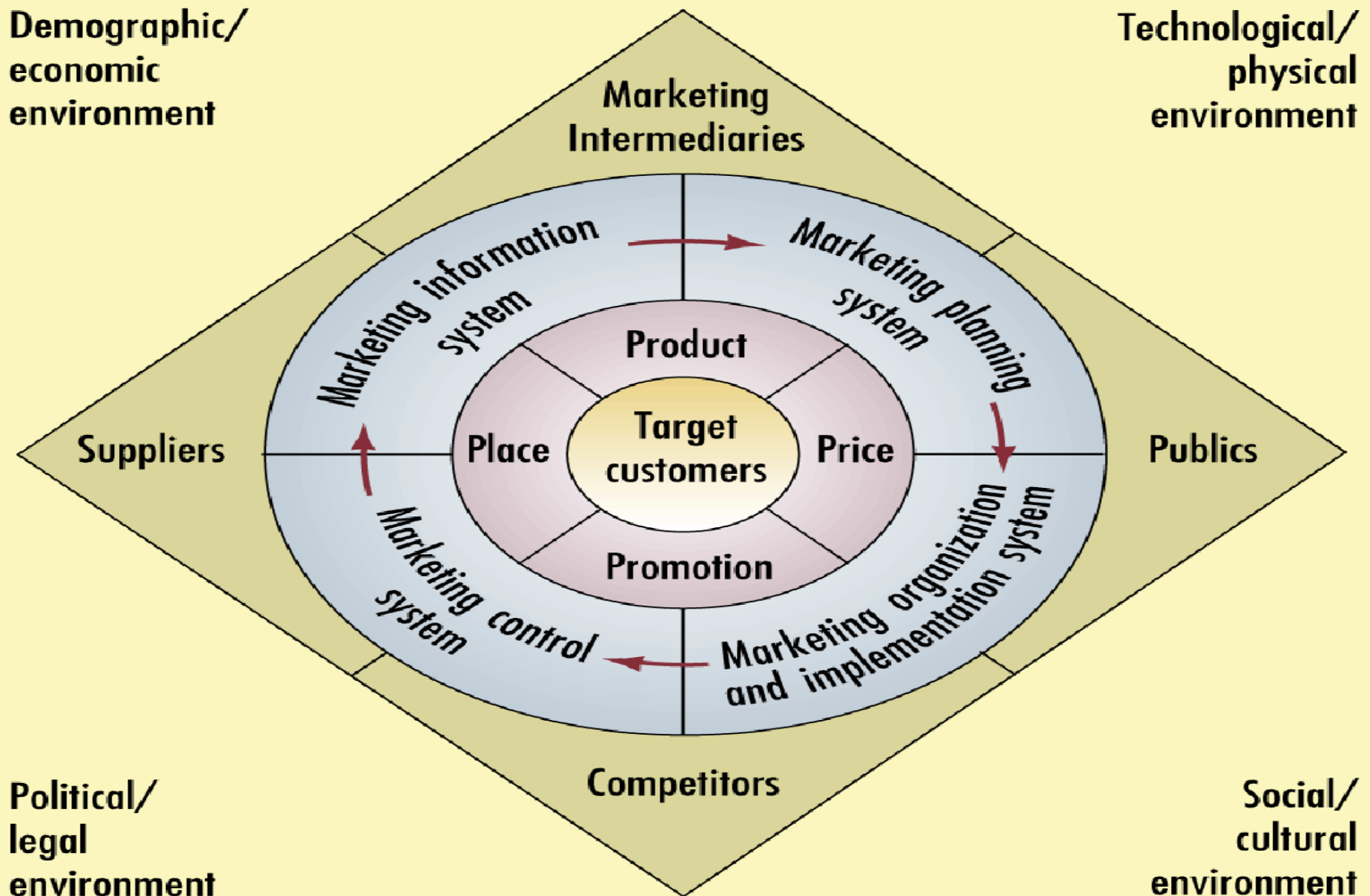


**Step 5: Preparing and Analyzing Data**

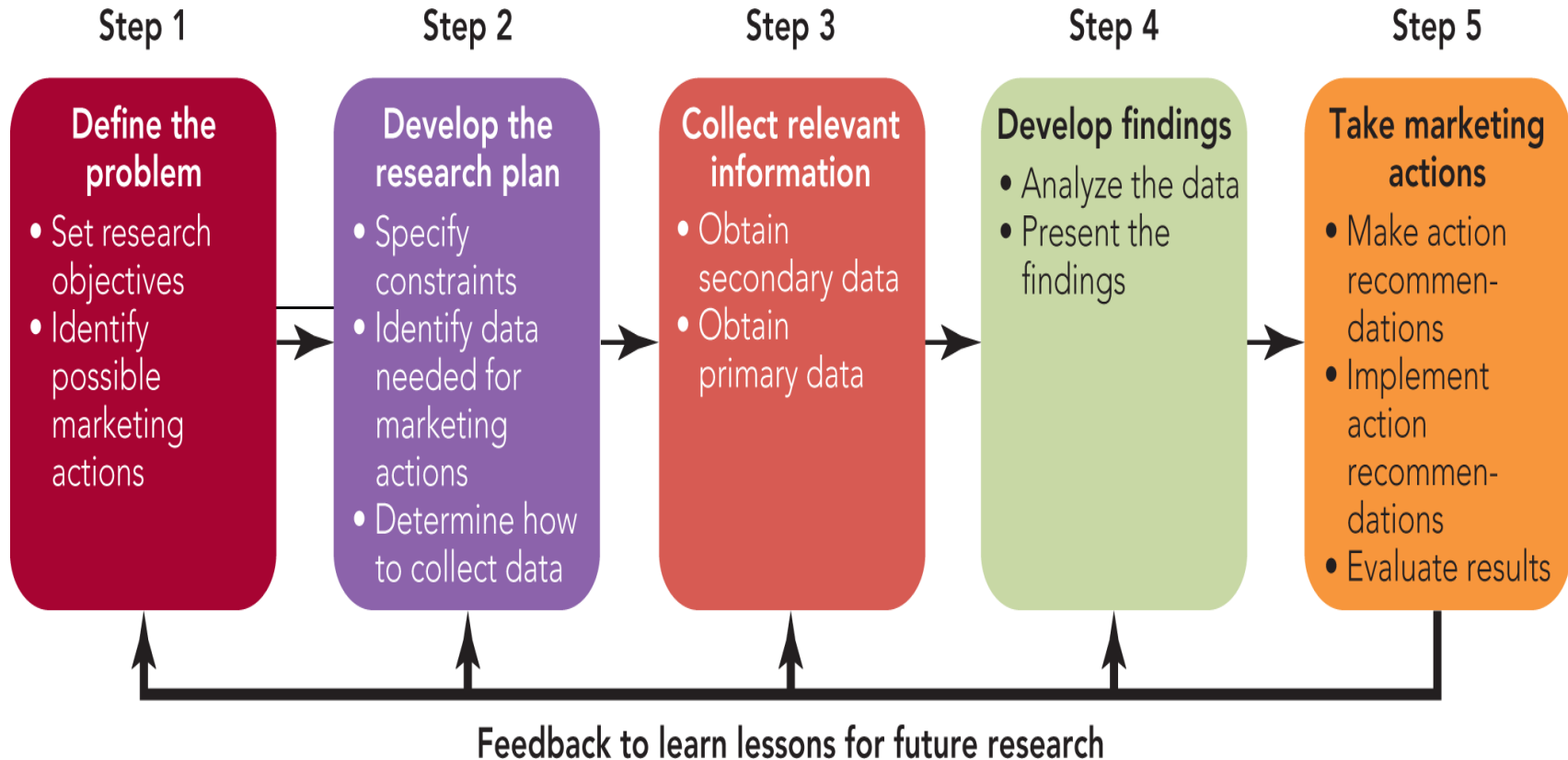


**Step 6: Preparing and Presenting the Report**

# Marketing Research Process



# The Role of Marketing Research





## **UNIT– II**

# **ANALYZING MARKETING OPPORTUNITIES CUSTOMER VALUE AND MARKETING MIX**

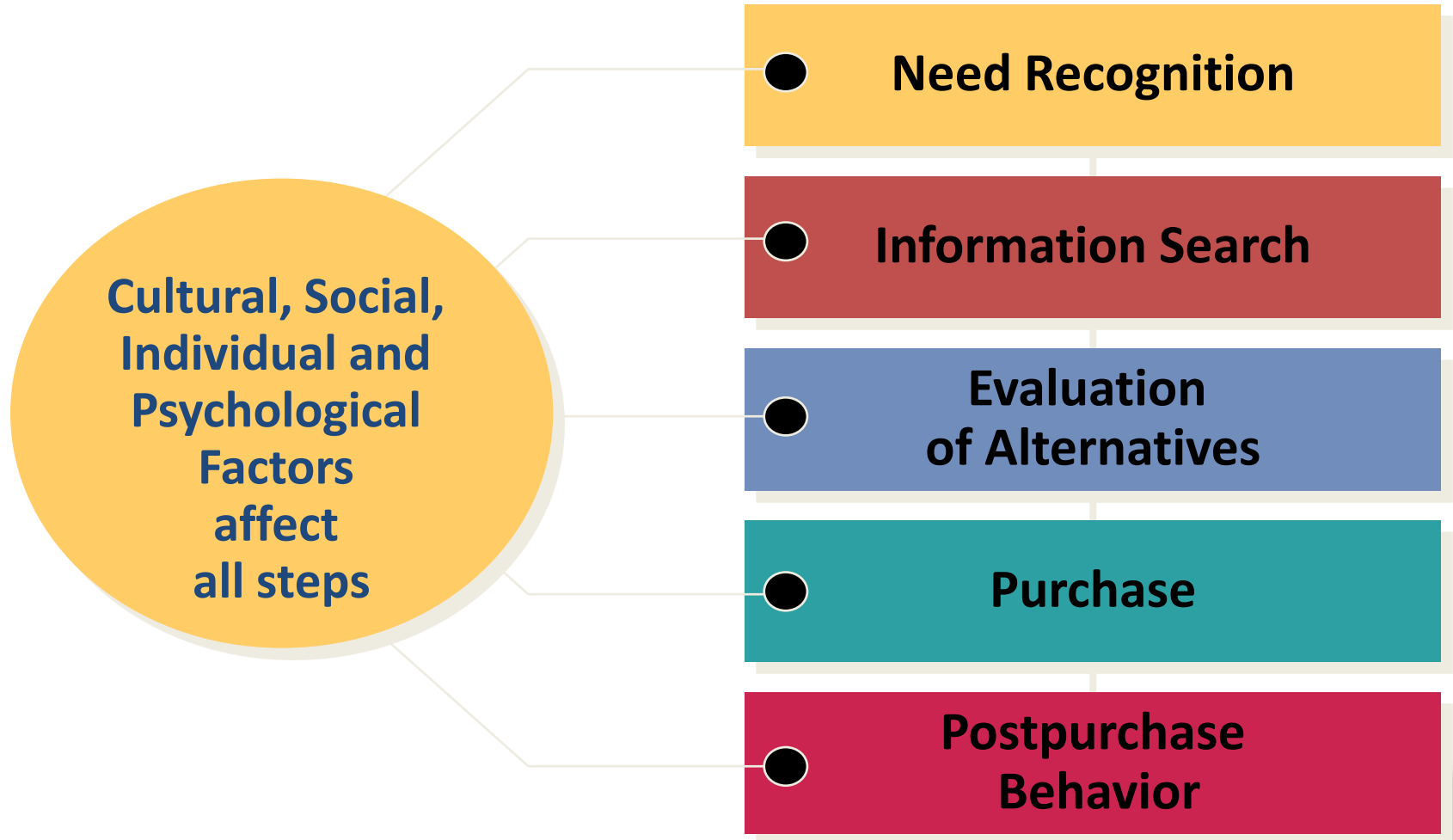
# Consumer decision making



Consumer Decision making is a process through which the customer selects the most appropriate product out the several alternatives. The Consumer decision making process consists of a series of steps that a buyer goes through in order to solve a problem or satisfy a need.

Consumer or Buyer Decision Making Process is the method used by marketers to identify and track the decision making process of a customer journey from start to finish. It is broken down into 5 individual stages which we have decided to demonstrate with our latest decision making journey surrounding some rather sorry looking trainers.

# Consumer Decision-Making Process



# Problem Recognition (I need new trainers)

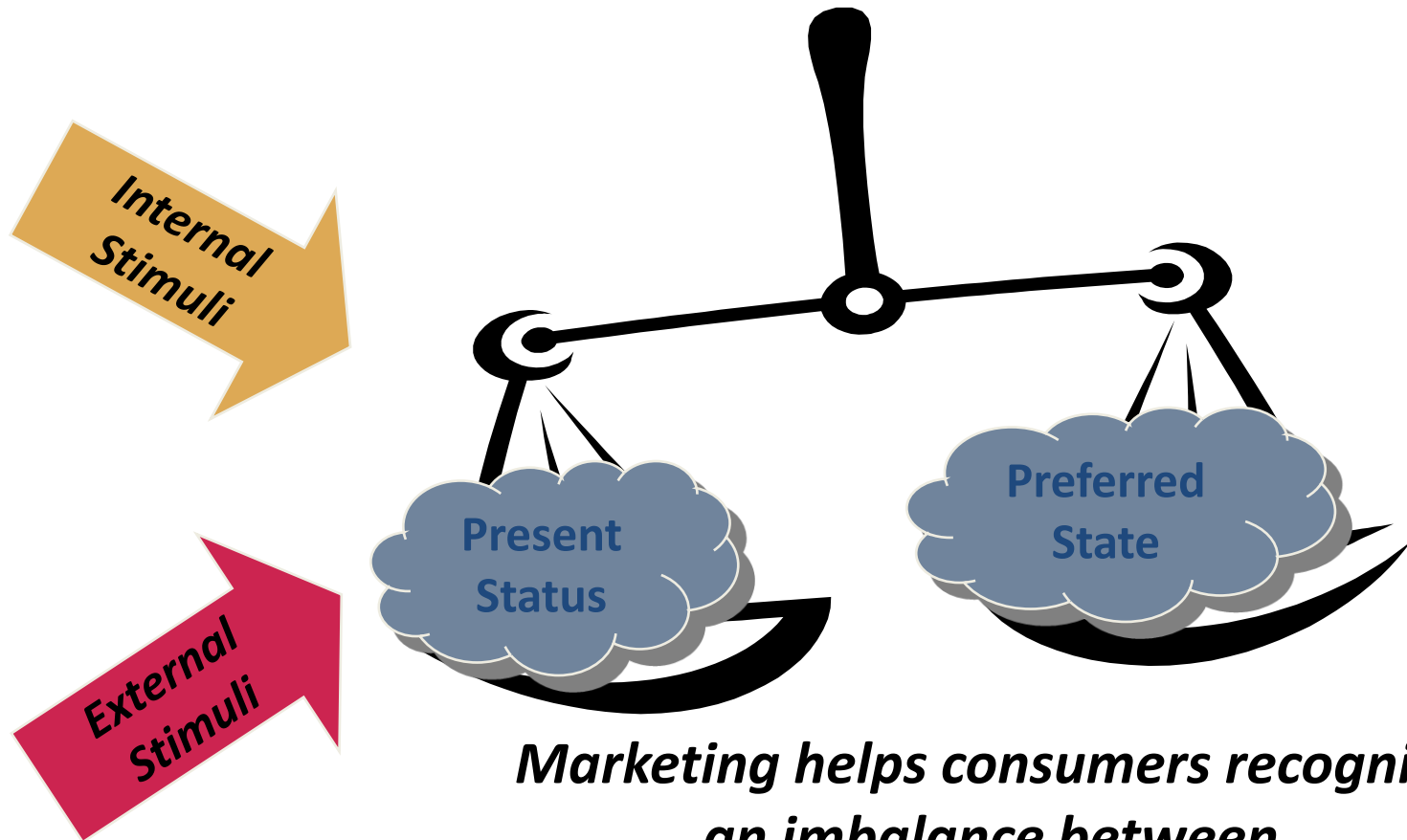
## 1. Problem Recognition (I need new trainers)

The first stage of the process is working out what exactly you or the customer needs. The customer feels like something is missing and needs to address it to get back to feeling normal. If you can determine when your target demographic develops these needs or wants, it would be an ideal time to advertise to them.





# Need Recognition



*Marketing helps consumers recognize an imbalance between present status and preferred state.*

# Information search (What trainers are out there?)

## 2. Information search (What trainers are out there?)

This is the search stage of the process. One that is continually changing from old fashioned shopping around to the new shop front which is Google (other search engines are available - apparently). Information is not only gathered about stuff and on things but from people via recommendations and through previous experiences we may have had with various products.

In this stage a customer is beginning to think about risk management. A customer might make a pro's vs. con's list to help make their decision. People often don't want to regret making a decision so extra time being put into managing risk may be worth it.

# External Information Searches

***Need Less  
Information***

**Less Risk  
More knowledge  
More product experience  
Low level of interest  
Confidence in decision**

***Need More  
Information***

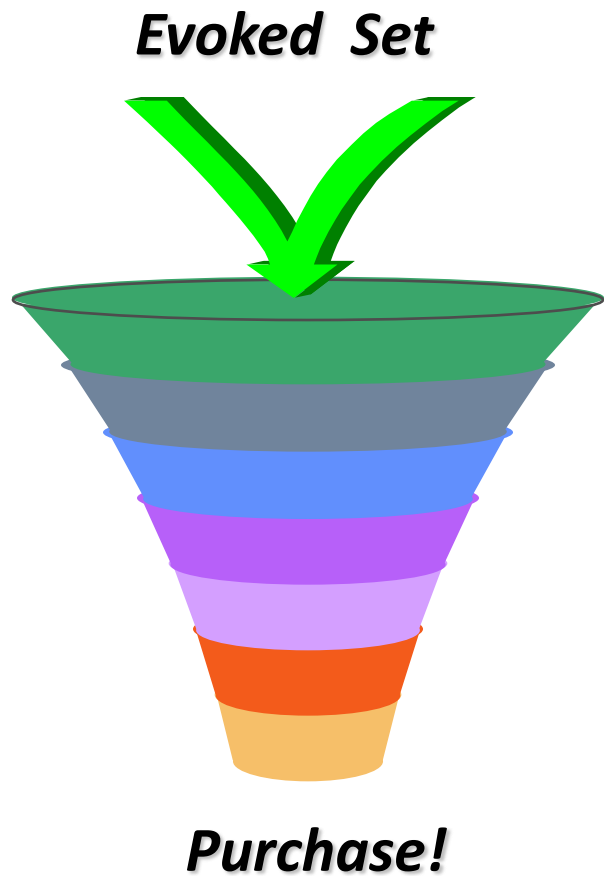
**More Risk  
Less knowledge  
Less product experience  
High level of interest  
Lack of confidence**

## **3. Evaluation of Alternatives (Do I need trainers and if so which ones?)**

This is the time when questions start being asked. Is this really the right product for me do? Do I need a different product? If the answers are either “No it’s not right” or “yes I need a different product” then stage 2 may recommence. The stage 3 to 2 transition may happen several times before stage 4 has been reached.

Once the customer has determined what will satisfy their want or need they will begin to seek out the best deal. This may be based on price, quality, or other factors that are important to them. Customers read many reviews and compare prices, ultimately choosing the one that satisfies most of their parameters.

# Evaluation of Alternatives and Purchase



**Analyze product attributes**

**Use cutoff criteria**

**Rank attributes by  
importance**

# Purchase (Buying the trainers)

## 4. Purchase (Buying the trainers)

The customer has now decided based on the knowledge gathered what to purchase and where to purchase what they desire.

At this stage a customer has either assessed all the facts and come to a logical conclusion, made a decision based on emotional connections/experiences or succumbed to advertising marketing campaigns, or most likely a combination of all of these has occurred.

In our customer journey we purchased some rather nice Asics runners as we had a wonderful experience with them previously, they were well priced on the market and the marketing around Asics trainers has always linked them to being the best option for “real athletic trainers”. The positioning of the product also lent itself to where they were purchased, a sport shop rather than a shoe shop.

## 5. Post Purchase satisfaction or dissatisfaction (Were they the right trainers for us?)

The review stage is a key stage for the company and for the customer likewise. Did the product deliver on the promises of the marketing/advertising campaigns? Did the product match or exceed expectations?

If a customer finds that the product has matched or exceeded the promises made and their own expectations they will potentially become a brand ambassador influencing other potential customers in their stage 2 of their next customer journey, boosting the chances of your product being purchased again. The same can be said for negative feedback which, if inserted at stage 2, can halt a potential customer's journey towards your product.

# Analyzing consumer markets



Marketing practices are linked with satisfaction of targeted customers and to fulfill their emerging needs and wants in efficient way as compared to business rivals. Marketers are involved in analyzing rising customer trends that suggest new marketing opportunities. It is imperative to adopt a holistic marketing orientation in order to understand customers and the bases for their choices.

A consumer market is a marketplace that comprises of household consumers who buy goods for individual or family utilization. It is dissimilar than a business market, in which businesses trade goods and services to other companies. The consumer market pertains to buyers who buy goods and services for consumption rather than resale.



# Analyzing consumer markets

Demographic Characteristics of consumer markets are based on demographics such as dissimilarities in gender, age, ethnic background, income, occupation, education, household size, religion, generation, nationality and social class.

- Companies often categorize these demographic characteristics through market research surveys.
- From survey results, companies used to discover which demographic groups comprise the majority of their customer base.
- Companies can then focus their advertising towards these demographic groups.

# Analyzing consumer markets

Psychographic Characteristics: In consumer market, Psychographic characteristics can also be found that include interests, activities, opinions, values and attitudes. Consumer activities can include partaking in martial arts or basket weaving.

- Opinions and attitudes can be both precise and general.
- A company may better recognize consumer opinions and attitudes after conducting a focus group, and can use that information to modify advertising or marketing campaigns.
- Consumer values can affect to how a group of individuals feels about some social issues, which can be of interest to non-profits or charitable organizations.

# Analyzing consumer markets



Behavioralistic Characteristics can also be gained through marketing research.

Behavioralistic characteristics of consumer markets include product usage rates, brand loyalty, user status or how long they have been a customer, and even benefits that consumers seek.

1. Company marketing departments usually try to differentiate between heavy, medium and light users, whom they can then target with advertising.
2. Marketers interested to know which customers are brand loyalists, as those consumers usually only buy the company's brand.

# Relationships among Purchasers and Consumers in the Family

		Purchase Decision Maker		
		Parent(s) Only	Child/Children Only	Some or All Family Members
Consumer	Parent(s)	golf clubs cosmetics wine	Mother's Day card	Christmas gifts minivan
	Child/Children	diapers breakfast cereal	candy small toys	bicycle
	Some Family Members	videos long-distance phone service	children's movies	computers sports events
	All Family Members	clothing life insurance	fast-food restaurant	swim club membership vacations

# New Product Development Process

1. Idea Generation and Screening
2. Concept Development and Testing
3. Marketing Strategy
4. Business Analysis
5. Product Development
6. Test Marketing
7. Commercialization

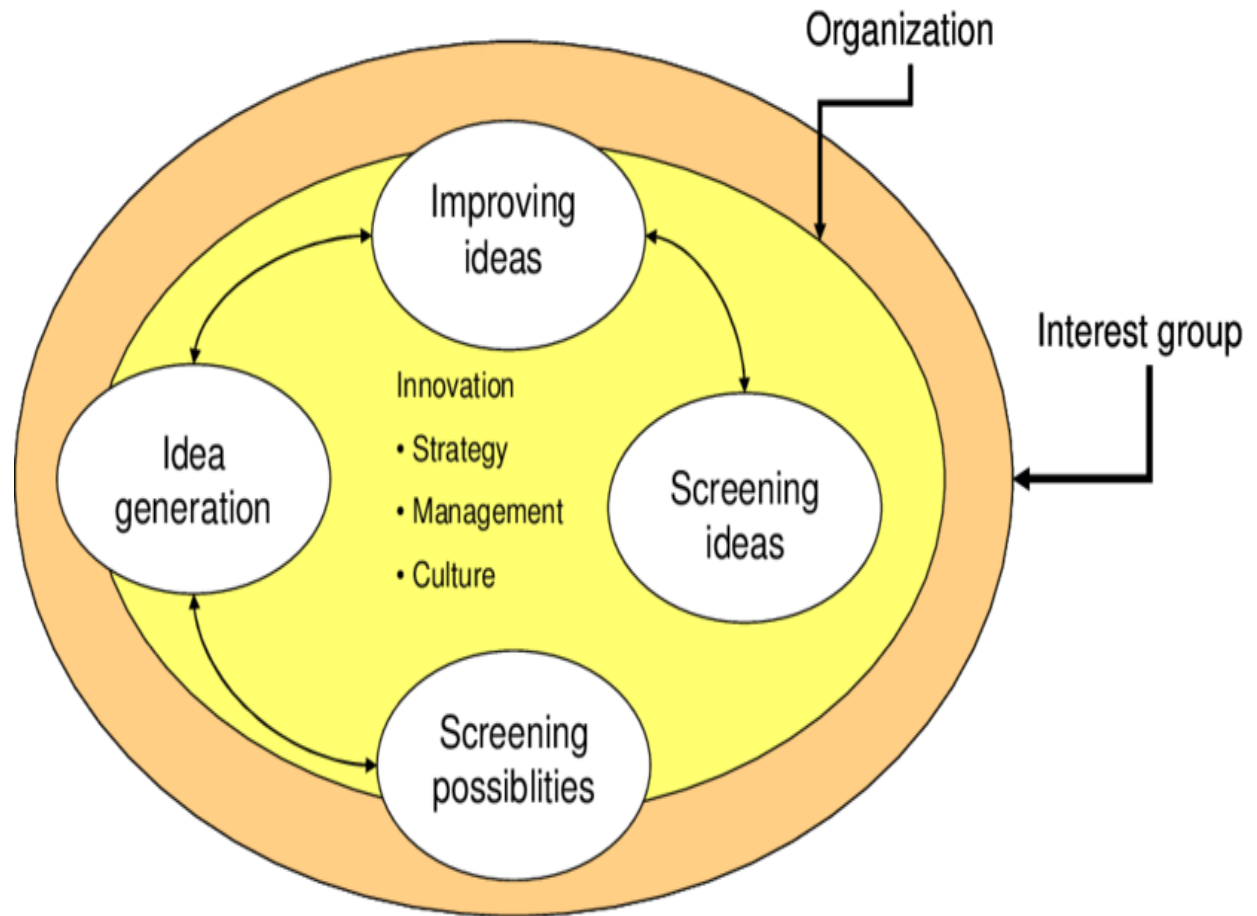


# New Product Development Process

## Step 1. Idea Generation

### Systematic Search for New Product Ideas

1. Internal sources
2. Customers
3. Competitors
4. Distributors
5. Suppliers





# New Product Development Process

## Step 2. Idea Screening

Process to spot good ideas and drop poor ones Market Size

- Product Price
- Development Time & Costs
- Manufacturing Costs
- Rate of Return



# New Product Development Process

## Step 3: Marketing Strategy

### CONTENT MARKETING

Content marketing uses creative and original content for the purpose of generating brand awareness, traffic growth, lead generation and targeting customers.

3

### EMAIL MARKETING

Many businesses use email marketing as a way of communicating with their audiences. Email is often used to promote content, showcase discounts and events, and direct people towards a website.

4

### SEARCH ENGINE OPTIMIZATION (SEO)

is the process of optimizing your website to 'rank' higher in search engine results pages to drive traffic to your website.

2

SEO



### 5 SOCIAL MEDIA MARKETING

Social media is a great way to promote your brand and your content to increase brand awareness, drive traffic, and generate leads for your business.

5



### AN ENGAGING WEBSITE

For maximum impact, a website should be responsive, up-to-date, and represent your company well.

1



6

### PAY-PER-CLICK (PPC)

Pay-per-click is a way to drive traffic to your website by paying a publisher every time your ad is clicked. One of the most common types of PPC is Google AdWords.



# New Product Development Process

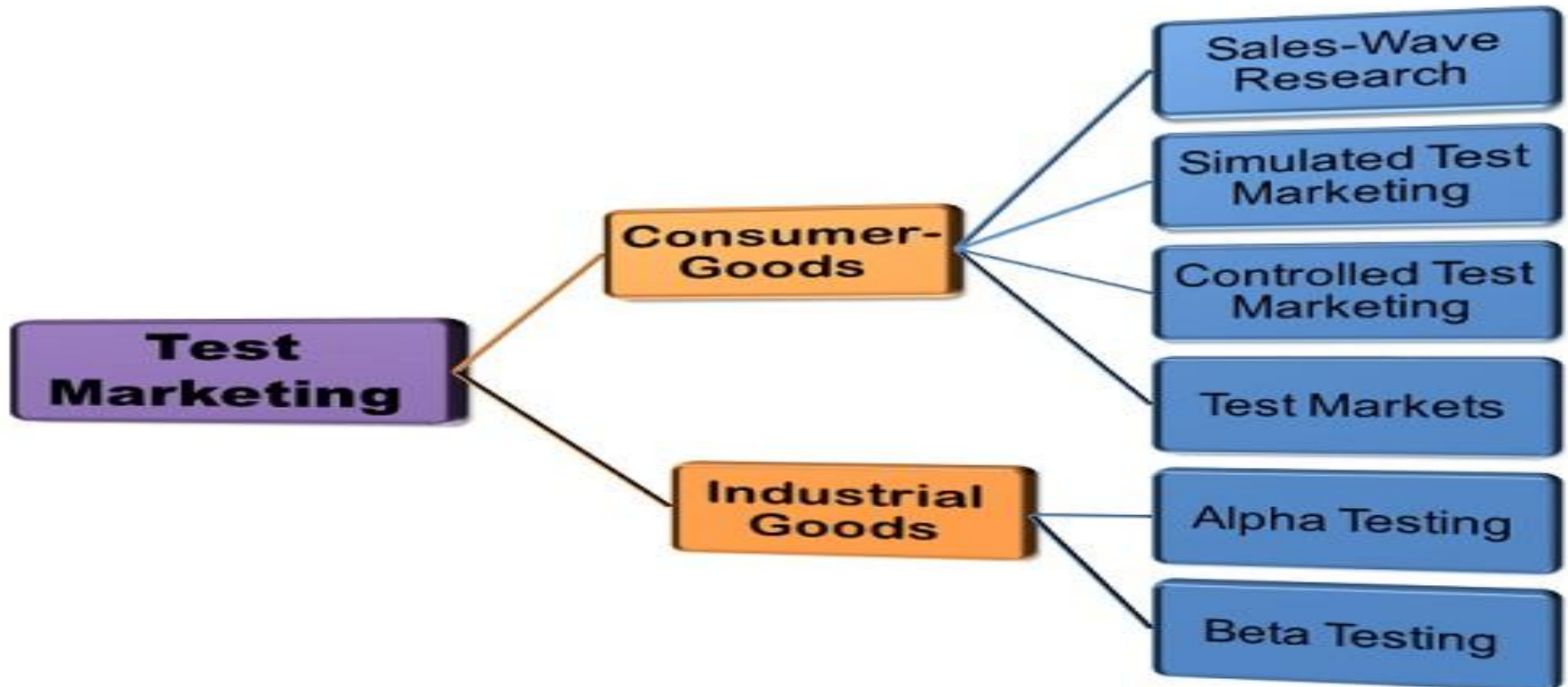
## Step 4: Business Analysis

- Review of Product Sales, Costs,
- and Profits Projections to See if
- They Meet Company Objectives



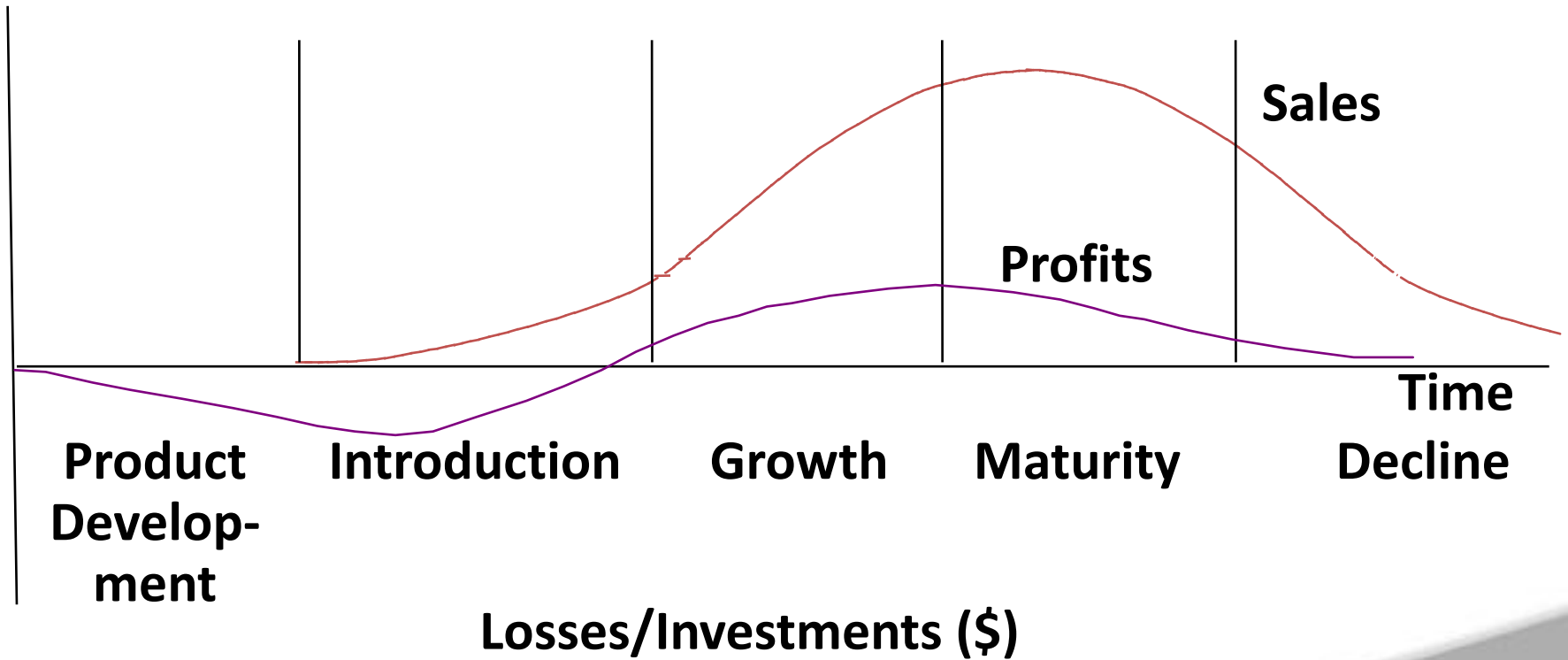
## Step 5: Test Marketing

- Review of Product Sales, Costs,
- Profits Projections to See if
- They Meet Company Objectives



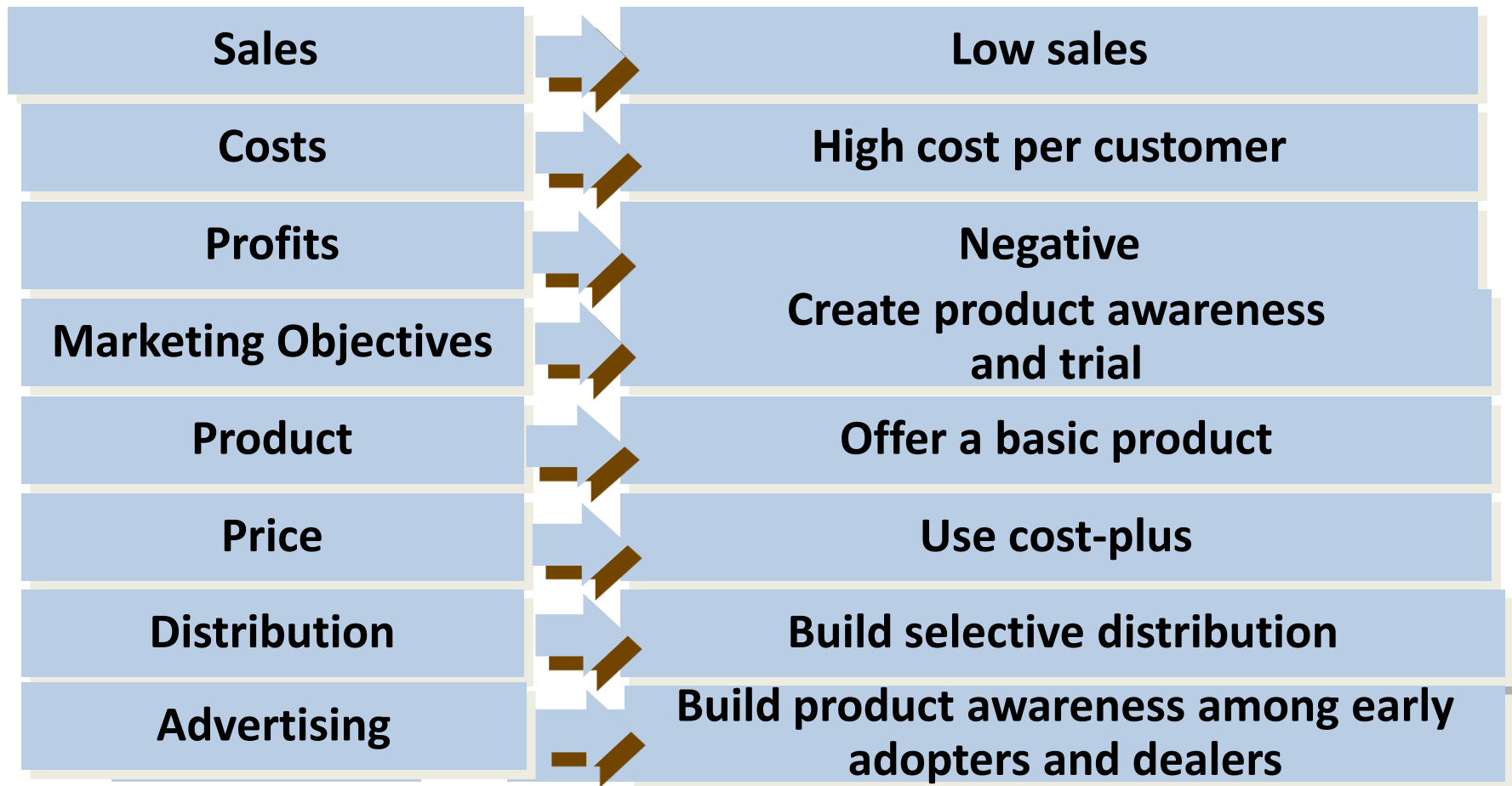
# Product Life Cycle

## Sales and Profits (\$)



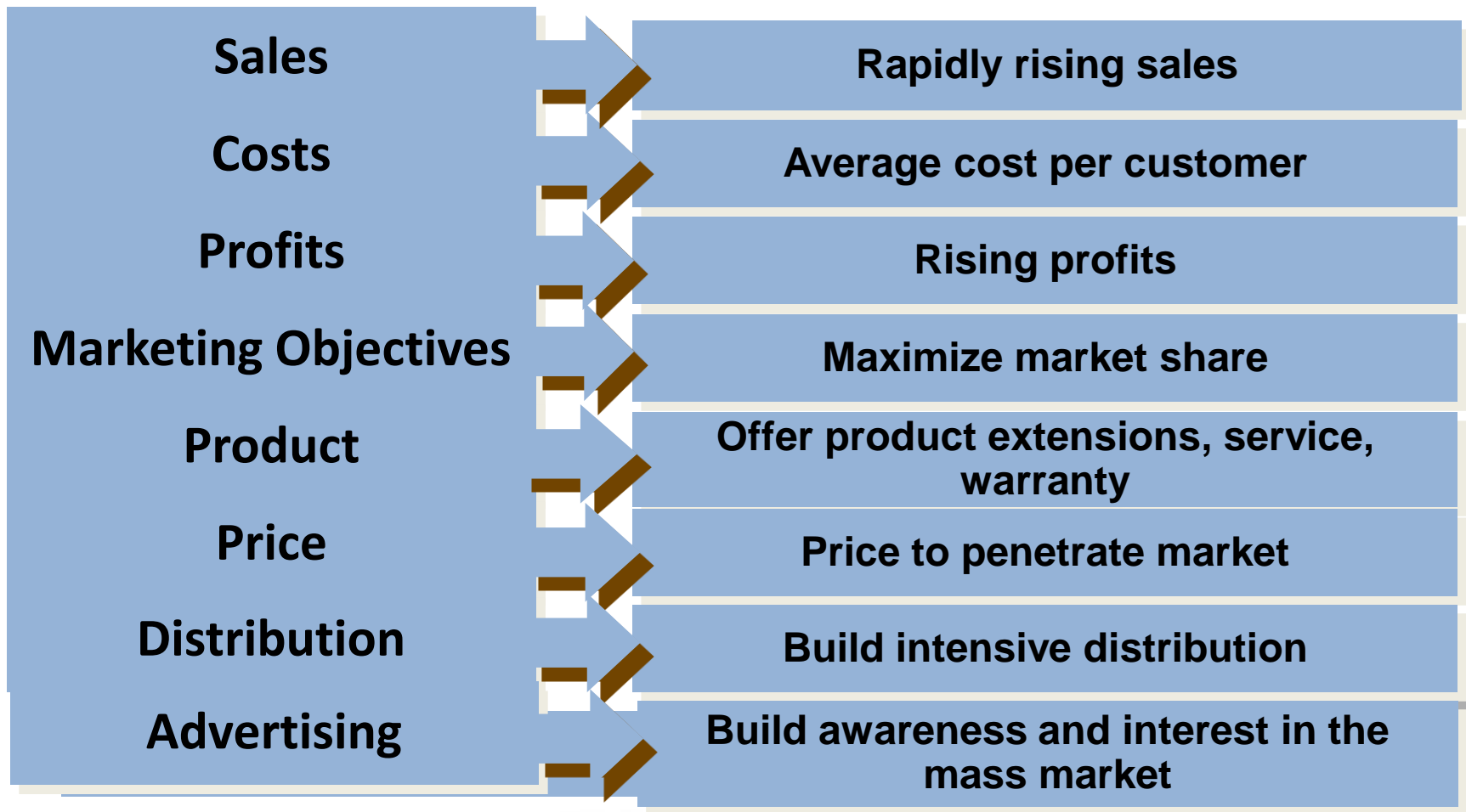
# Introduction Stage of the PLC

It is in this stage that the company is first able to get a sense of how consumers respond to the product, how successful it may be.



# Growth Stage of the PLC

The market expands, more competition often drives prices down to make the specific products competitive.



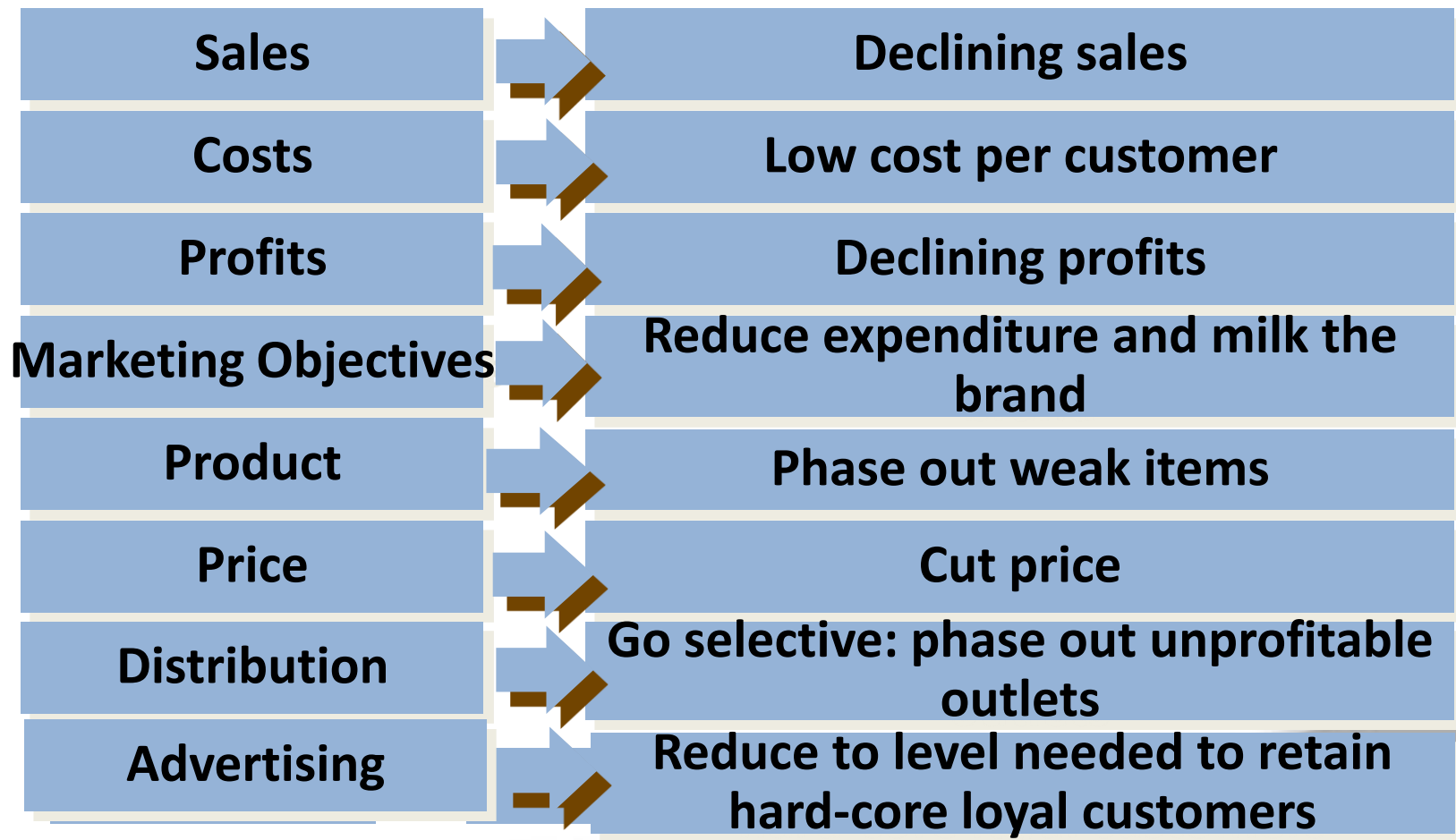
# Maturity Stage of the PLC

The maturity stage may last a long time or a short time depending on the product. For some brands, the maturity stage is very drawn out.

<b>Sales</b>	<b>Peak sales</b>
<b>Costs</b>	<b>Low cost per customer</b>
<b>Profits</b>	<b>High profits</b>
<b>Marketing Objectives</b>	<b>Maximize profit while defending market share</b>
<b>Product</b>	<b>Diversify brand and models</b>
<b>Price</b>	<b>Price to match or best competitors</b>
<b>Distribution</b>	<b>Build more intensive distribution</b>
<b>Advertising</b>	<b>Stress brand differences and benefits</b>

# Decline Stage of the PLC

The product will be retired out of the market unless it is able to redesign itself to remain relevant or in-demand.





# **UNIT– III**

## **DESIGNING A CUSTOMER DRIVEN STRATEGY**



# Segmentation, Targeting & Positioning

## Segmentation Variables

- Geographic
- Demographic
- Psychographic
- Behavioral
- Other (anything!)

No single best way to segment a market. Often best to combine variables and identify smaller, better- defined target groups.



# Geographic Segmentation



Geographic segmentation is a common strategy when you serve customers in a particular area, or when your broad target audience has different preferences based on where they are located. It involves grouping potential customers by country, state, region, city or even neighborhood.

## **Advantages of Geographic Segmentation**

1. It's an effective approach for companies with large national or international markets because different consumers in different regions have different needs, wants, and cultural characteristics that can be specifically targeted.
2. It can also be an effective approach for small businesses with limited budgets.
3. It works well in different areas of population density. Consumers in an urban environment often have different needs and wants than people in suburban and rural environments.

# Demographic Segmentation

- Age, Gender, Income, Location, Family Situation, Annual Income, Education, Ethnicity
1. Demographic Characteristics of consumer markets are based on demographics such as dissimilarities in gender, age, ethnic background, income, occupation, education, household size, religion, generation, nationality and social class.
  2. Companies often categorize these demographic characteristics through market research surveys.
  3. From survey results, companies used to discover which demographic groups comprise the majority of their customer base.

# Psychographic Segmentation

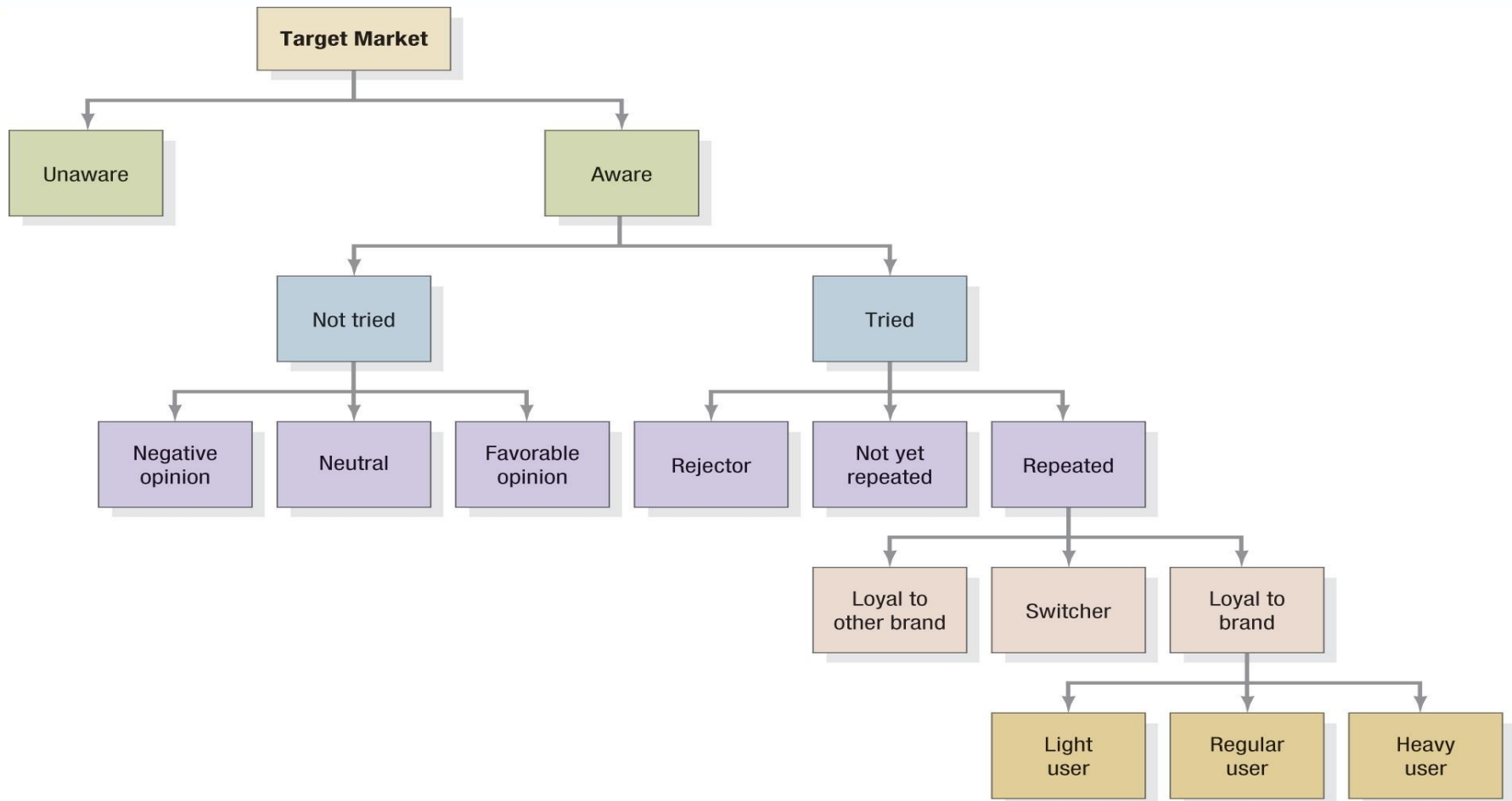
Psychographic Characteristics: In consumer market, Psychographic characteristics can also be found that include interests, activities, opinions, values and attitudes.

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

# Behavioral Segmentation

- **Measurable.** The size, purchasing power, and characteristics of the segments can be measured.
- **Substantial.** The segments are large and profitable enough to serve.  
A segment should be the largest possible homogeneous group worth going after with a tailored marketing program. It would not pay, for example, for an automobile manufacturer to develop cars for people who are under four feet tall.
- **Accessible.** The segments can be effectively reached and served.
- **Differentiable.** The segments are conceptually distinguishable and respond differently to different marketing-mix elements and programs. If married and unmarried women respond similarly to a sale on perfume, they do not constitute separate segments.
- **Actionable.** Effective programs can be formulated for attracting and serving the segments.

# User & Loyalty Status Segmentation



## It is the Consumer who are Segmented, Not Product, nor Price

1. It would be useful to provide one important clarification right at the beginning.
2. Markets, sometime, speaks of product segments and price segments and use these expressions as synonymous with market segments.
3. This can leads to a wrong understanding of what market segments, or for that matter, the process of market segmentation as a whole, actually connote
4. We have to be clear that in market segmentation, it is the consumers who are segmented, not the product, nor price. Market is about people who consume the product, not about the product that's gets consumed

**1. Market segmentation** is the process of dividing a **market** of potential customers into groups, or segments, based on different characteristics. The segments created are composed of consumers who will respond similarly to marketing strategies and who share traits such as similar interests, needs, or locations.

Markets are Heterogeneous; Segmentation divides them into Homogeneous Sub-Units The market for a product is nothing but the aggregate of the consumer of that product Markets break up the heterogeneous market for product into several sub units, or sub markets, each relatively more homogeneous within itself, compared to market into a number of sub markets/ distinct sub units of buyer , each with relatively more homogeneous characteristics, is known as market segmentation.

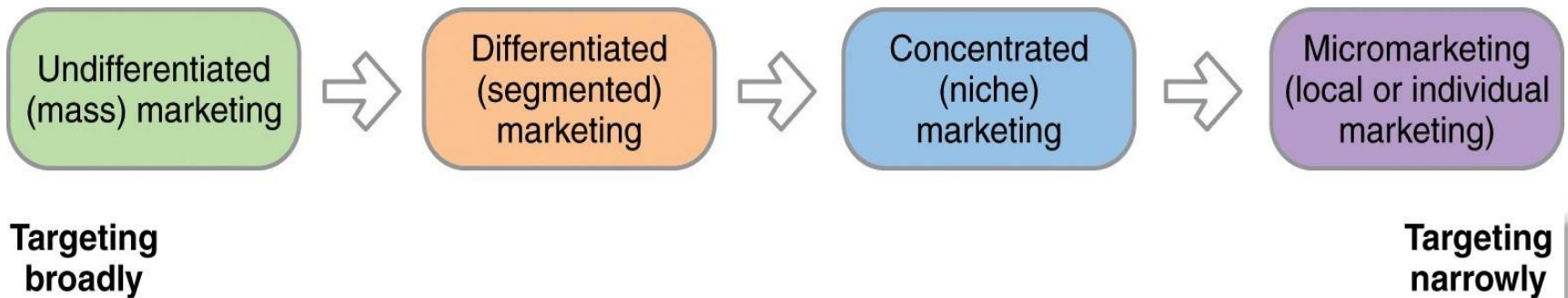
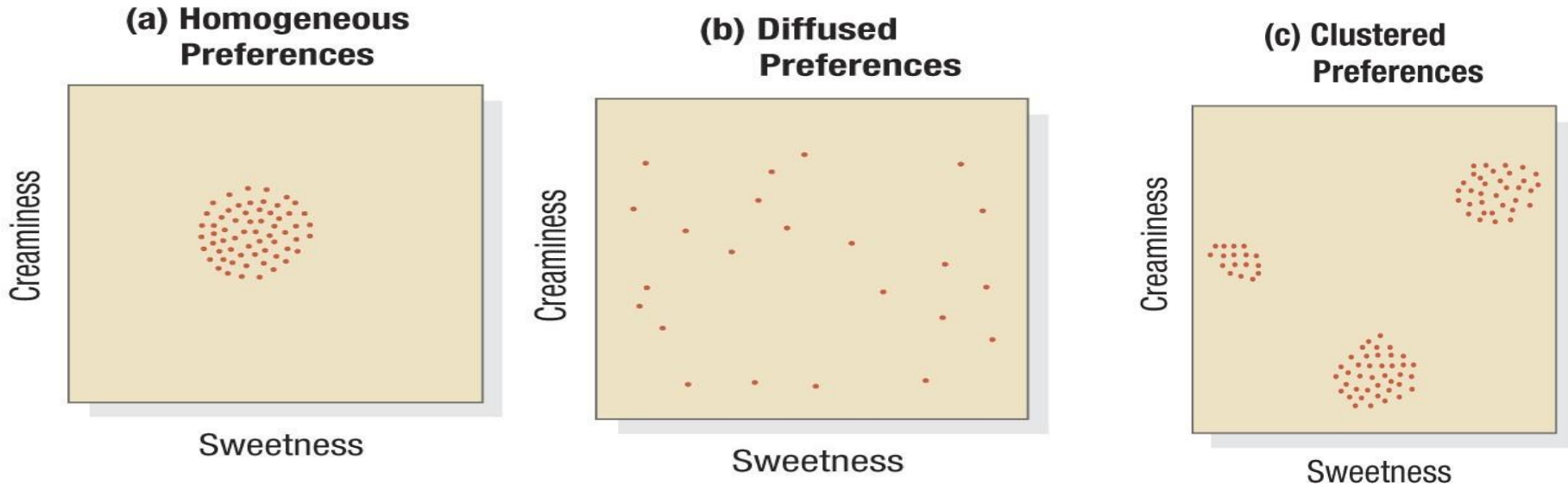


# Evaluating Market Segments

- Segment Size and Growth Potential Sales, profitability and growth rates
- Segment Structural Attractiveness
- Competition, substitute products, buyers & supplier power, new entrants (Porter's Five Forces)
- Company Objectives and Resources
- Core competencies
- “What business do we want to be in?”



# Targeting Segments - Overview



# Choosing the Right Competitive Advantages

- The best competitive advantages are...
  - Important
  - Distinctive
  - Superior
  - Communicable
  - Pre-emptive
  - Affordable (to company and consumer)
  - Profitable

*Moral: Avoid meaningless differentiation.*



# **UNIT– IV**

## **DISTRIBUTION DECISIONS, PROMOTIONS AND COMMUNICATION STRATEGIES**

# Target Markets, Positioning and Segmentation

- A marketer can rarely satisfy everyone in a market
- Marketers start by dividing the market into segments (demographic, psychographic, and behavioral differences)
- The marketer chooses its target markets – the segments which present the greatest opportunity
- For each chosen target market, the firm develops a *market offering*
- The offering is *positioned* in the minds of the target buyers as delivering some central.
- Offering is a combination of products, services, information and experiences- a set of benefits firms offer to customers to satisfy their needs
- Brand is an offering from a known source.

# What is a Marketing Channel?

A **marketing channel** system is the particular set of interdependent organizations involved in the process of making a product or service available for use or consumption.

## Channels and Marketing Decisions

- A **push strategy** uses the manufacturer's sales force, trade promotion money, and other means to induce intermediaries to carry, promote, and sell the product to end users.
- A **pull strategy** uses advertising, promotion, and other forms of communication to persuade consumers to demand the product from intermediaries.

# Buyer Expectations for Channel Integration

1. Ability to order a product online and pick it up at a convenient retail location
2. Ability to return an online-ordered product to a nearby store

Right to receive discounts based on total online and offline purchases

- Service/quality customers
- Price/value customers
- Affinity customers

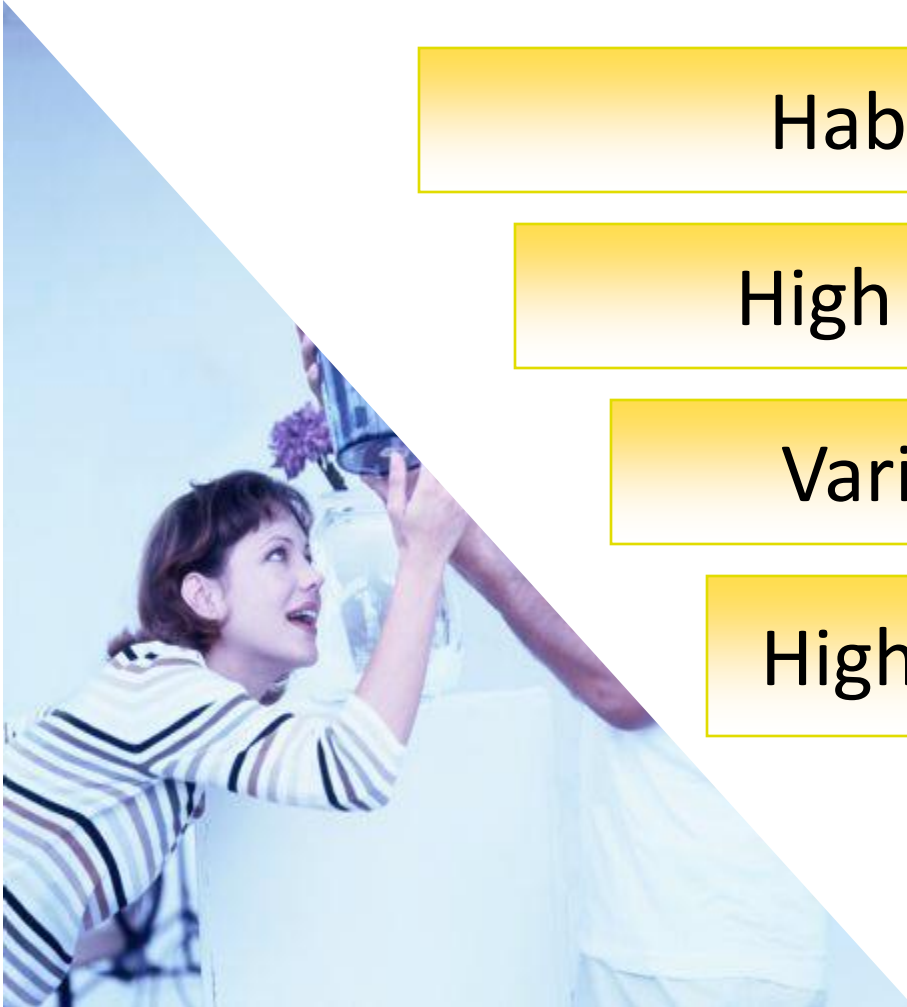
# Categories of Buyers

Habitual shoppers

High value deal seekers

Variety-loving shoppers

High-involvement shoppers





# Channel Member Functions

- Gather information
- Develop and disseminate persuasive communications
- Reach agreements on price and terms
- Acquire funds to finance inventories
- Assume risks
- Provide for storage
- Provide for buyers' payment of their bills
- Oversee actual transfer of ownership

# Marketing Channel Flows

## 1. Physical Flow



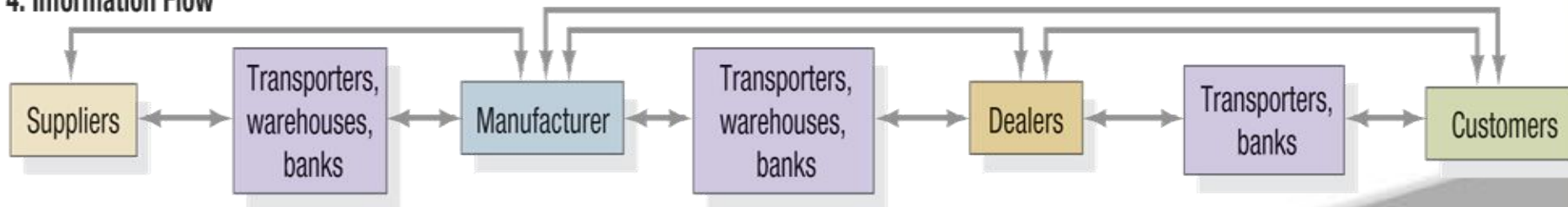
## 2. Title Flow



## 3. Payment Flow



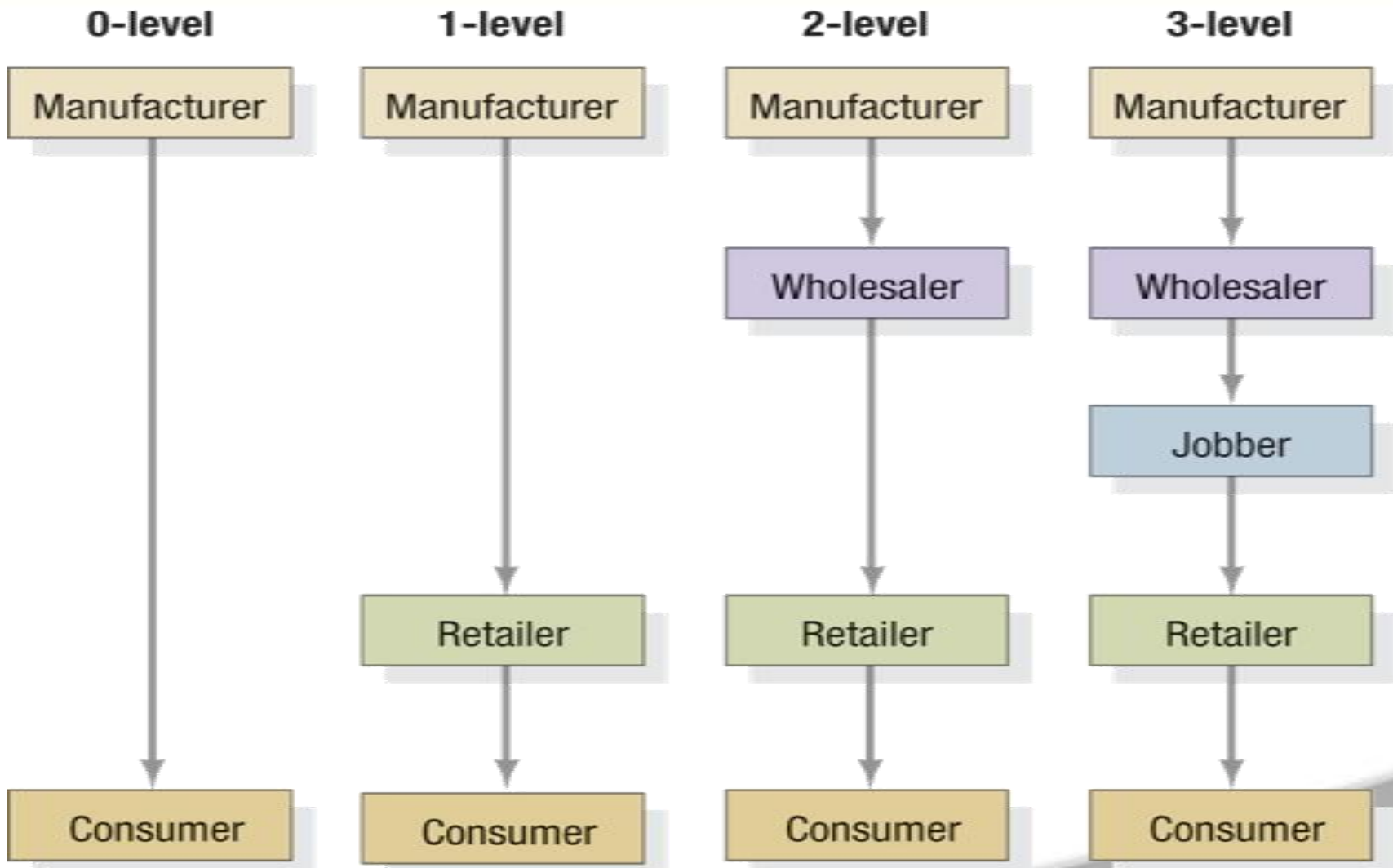
## 4. Information Flow



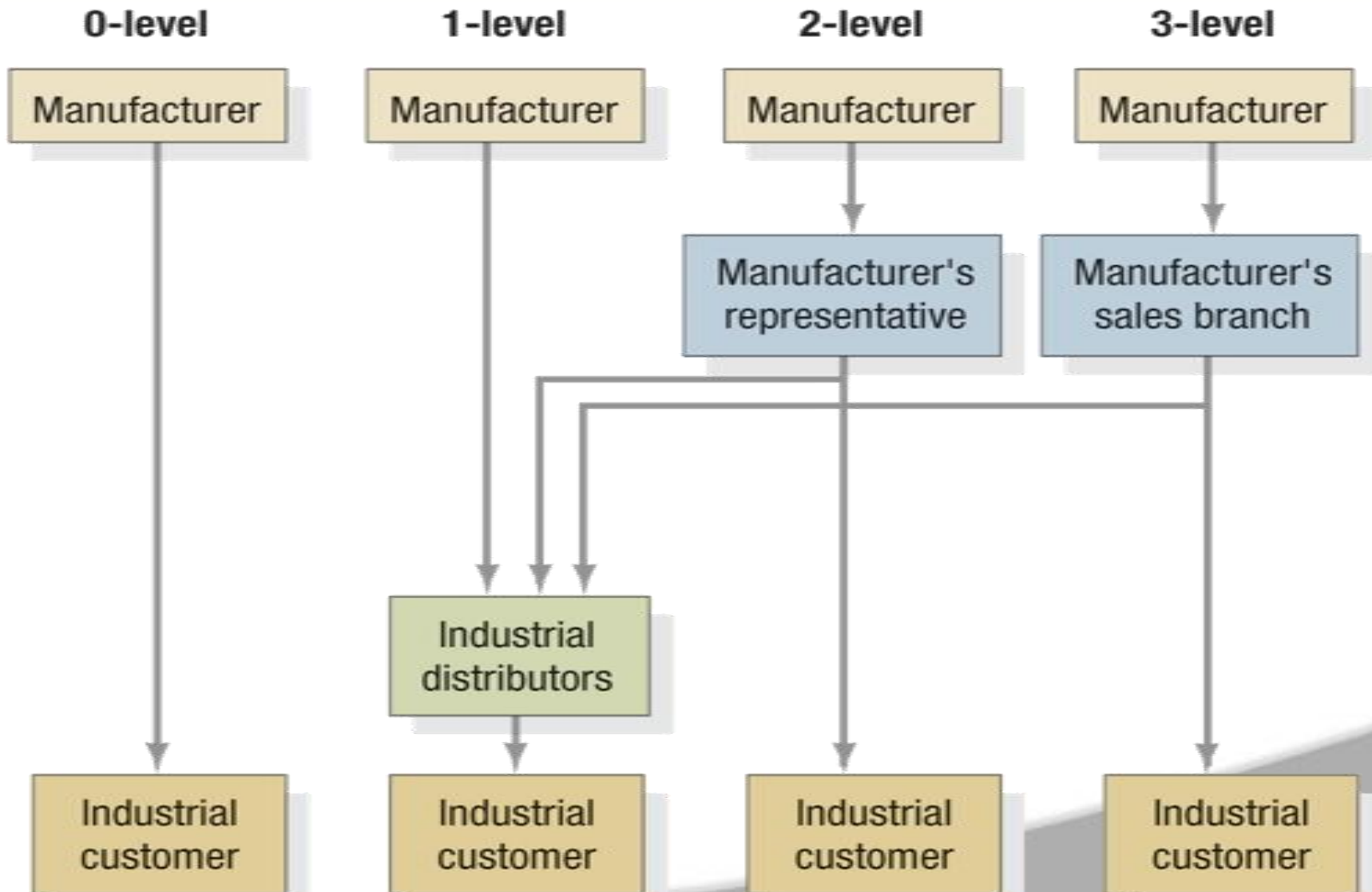
## 5. Promotion Flow



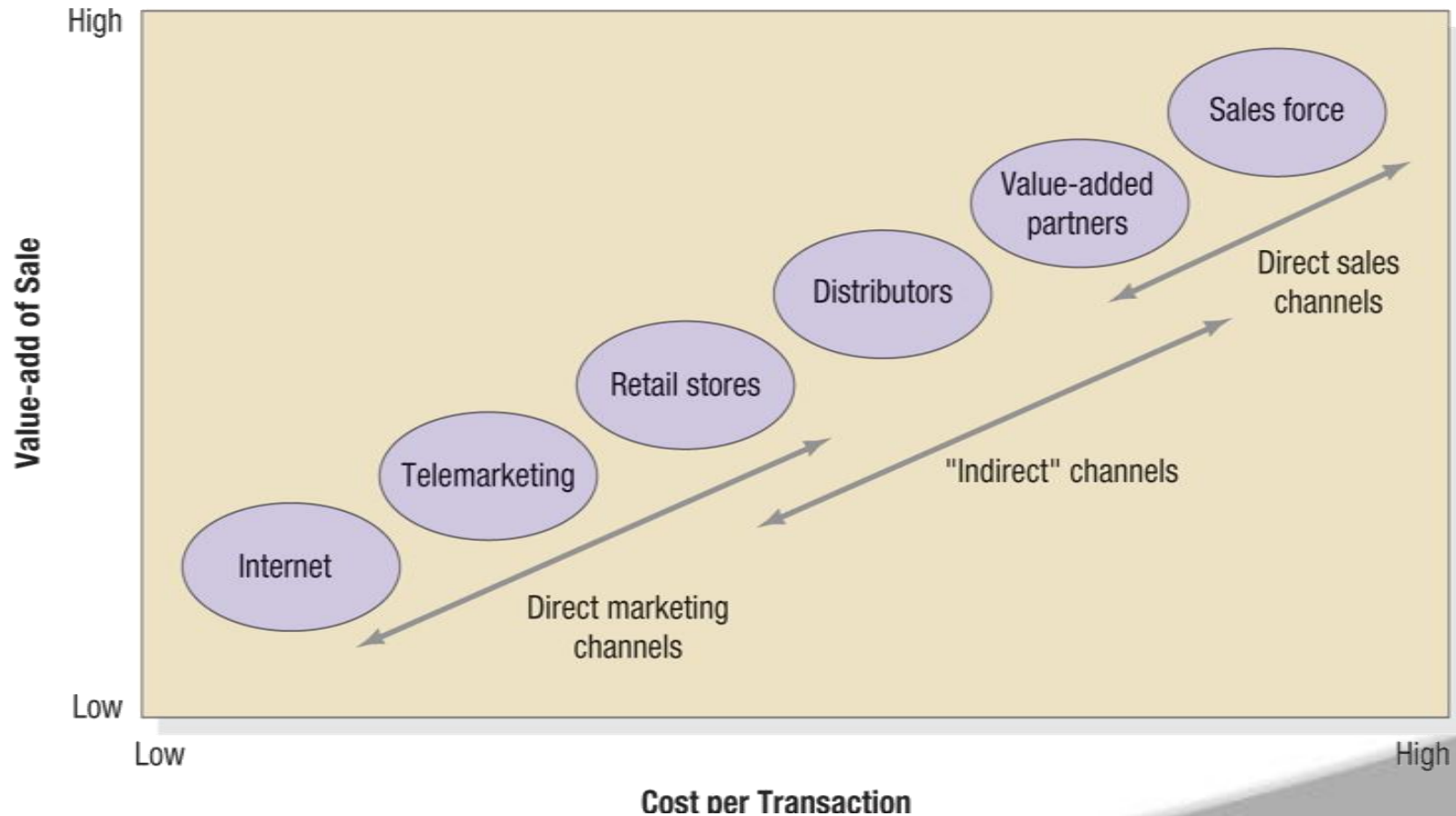
# Consumer Marketing Channels



# Industrial Marketing Channels



# Figure 15.4 The Value-Adds vs. Costs of Different Channels



# Channel-Management Decisions



Selecting channel members

Training channel members

Motivating channel members

Evaluating channel members

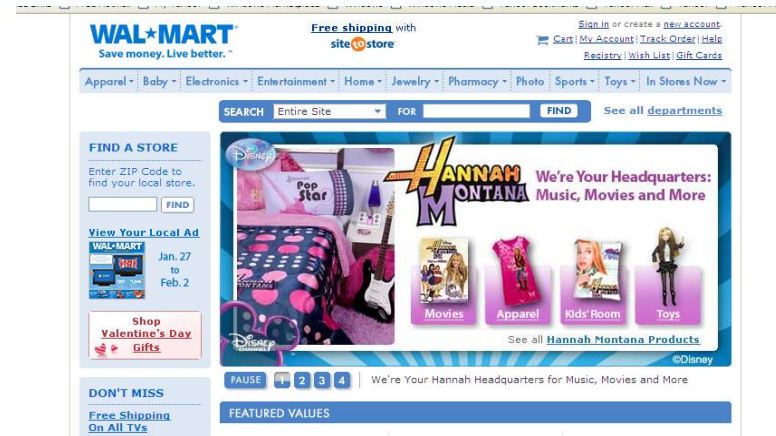
Modifying channel members



# Channel Power

- Coercive
- Reward
- Legitimate
- Expert
- Referent

1. Vertical marketing systems
  - Corporate VMS
  - Administered VMS
  - Contractual VMS
2. Horizontal marketing systems
3. Multichannel systems



**Channel conflict** occurs when one member's actions prevent another channel from achieving its goal.

Types of channel conflict

- Vertical
- Horizontal
- Multichannel

# Strategies for Managing Channel Conflict

- Adoption of super ordinate goals
- Exchange of employees
- Joint membership in trade associations
- Cooptation
- Diplomacy
- Mediation
- Arbitration
- Legal recourse

Goal incompatibility

Unclear roles and rights

Differences in perception

Intermediaries' dependence  
on the manufacturer





# **UNIT– V**

## **PRICING DECISIONS AND PERSONAL COMMUNICATION**

# Pricing and Business

- How companies price a product or service ultimately depends on the demand and supply for it
- Three influences on demand and supply:
  1. Customers
  2. Competitors
  3. Costs

# Time Horizons and Pricing

- Short-run pricing decisions have a time horizon of less than one year and include decisions such as:
  - Pricing a one-time-only special order with no long-run implications
  - Adjusting product mix and output volume in a competitive market
- Long-run pricing decisions have a time horizon of one year or longer and include decisions such as:
  - Pricing a product in a major market where there is some leeway in setting price

# Pricing

- External sales- outside
  - Target pricing-**Competition-based pricing**
  - Cost plus pricing
  - Variable cost pricing
  - Customer based pricing-**value-based pricing**
  - Time and material pricing
- Internal-within the company among divisions
  - Negotiated transfer prices
  - Cost based transfer prices
  - Market based transfer prices
  - Effect of outsourcing on transfer prices
  - Transfers between divisions in different countries

# Who determines the price?

- **Price takers-**
- when there is a competitive market and the company has no influence on price
- Once competition enters the market, the price of a product becomes squeezed between the cost of the product and the lowest price of a competitor.
- **Price makers-**
- companies that influence the price
- Organizations that choose to compete by offering innovative products and services have a more difficult pricing decision because there is no existing price for the new product or service.

# Markets and Pricing

- Competitive Markets – use the market-based approach
- Less-Competitive Markets – can use either the market-based or cost-based approach
- Noncompetitive Markets – use cost-based approaches
- Customer demand
- Competitors' behavior/prices/actions
- Costs
- Regulatory environment – legal, political and image related

# Market-Based Approach

- Starts with a target price
- Target Price – estimated price for a product or service that potential customers will pay
- Estimated on customers' perceived value for a product or service and how competitors will price competing products or services
- Cost plus mark-up
  - Variable – contribution margin approach, contribution margin (reflecting mark-up) should cover desired return on investment, all fixed costs
  - Absorption – common- mark-up covers all expenses except cost of goods sold plus the desired return on investment
- Target costing– price is known (competitor's), desired return on investment is known, price is known = determine the maximum cost per unit

# Cost-Plus Pricing

- Company estimates cost of production Adds a markup to cost to arrive at price which allows for a reasonable profit

## Limitations

- What % markup to use?
- Inherently circular for manufacturing firms
- Requires considerable judgment and experimentation
- The general formula adds a markup component to the cost base to determine a prospective selling price
- Usually only a starting point in the price-setting process
- Markup is somewhat flexible, based partially on customers and competitors



# Forms of Cost-Plus Pricing

- **Setting a Target Rate of Return on Investment:** the Target Annual Operating Return that an organization aims to achieve, divided by Invested Capital
- Selecting different cost bases for the “cost-plus” calculation:
  - Variable Manufacturing Cost
  - Variable Cost
  - Manufacturing Cost
  - Full Cost

# Pricing Special Orders

In some cases, it may be beneficial for a company to charge a price lower than its full cost

- Only if the order will not affect demand for its other products
- Determine a charge for labor that includes overhead
- Determine a charge for materials that includes handling and storage costs
- Include a profit  $\text{Sum} = \text{price}$
- Used in service companies mainly; appropriate for construction companies as well
- Easy to compute
- No consideration to the demand side
- Sales volume plays an important role- allocation of fixed costs over the products sold
- If variable cost plus used then fixed costs might not be covered if not calculated correctly

- Value based pricing-the price is based on the customer 'demand' or need for the product
  - Unique product – value based pricing might be helpful to create demand
- use price to support product image
- set price to increase product sales
- design a price range to attract many consumer groups
- set price to increase volume sales
- price a bundle of products to reduce inventory or to excite customers

# Transfer pricing

Transfer Price is:

the internal price charged by one segment of a firm for a product or service supplied to another segment of the same firm

***Such as:***

- Internal charge paid by final assembly division for components produced by other divisions
- Service fees to operating departments for telecommunications, maintenance, and services by support services departments
- The transfer price creates revenues for the selling subunit and purchase costs for the buying subunit, affecting each subunit's operating income
- Intermediate Product – the product or service transferred between subunits of an organization

# Comparison of Transfer-Pricing Methods

Criteria	Market-Based	Cost- Based	Negotiated
Motivates Management Effort	Yes	Yes, when based on budgeted costs; less incentive to control costs if transfers are based on actual costs	Yes
Preserves Subunit Autonomy	Yes, when markets are competitive	No, because it is rule-based	Yes, because it is based on negotiations between subunits

# Comparison of Transfer-Pricing Methods

Criteria	Market-Based	Cost- Based	Negotiated
Other Factors	No market may exist or markets may be imperfect or in distress	Useful for determining full cost of products; easy to implement	Bargaining and negotiations take time and may need to be reviewed repeatedly as conditions change

# Transfer Pricing Methods

- **External market price**
  - If external markets are comparable
- **Variable cost of production**
  - Exclude fixed costs which are unavoidable
- **Full-cost of production**
  - Average fixed and variable cost
- **Negotiated prices**
  - Depends on bargaining power of divisions

# Communication Platforms

## Advertising

- Print and broadcast ads
- Packaging inserts
- Motion pictures
- Brochures and booklets
- Posters
- Billboards
- POP displays
- Logos
- Videotapes

## Sales Promotion

- Contests, games, sweepstakes
- Premiums
- Sampling
- Trade shows, exhibits
- Coupons
- Rebates
- Entertainment
- Continuity programs



# Word-of-Mouth Marketing



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Frugal Kitchen  
Light & Lean Cooking  
Cooking 101

#### iGo Green

see all

Green Tips & Tricks  
Fitness Walking  
Living Simple & Green

- **Marketing ethics :**

Marketers' standards of conduct and moral values

- Some industries are required by law to maintain corporate-level positions responsible for ethics and legal compliance
- Workplace may generate serious conflicts when individuals discover that their ethical beliefs don't match those of their employer
- **Bottom of Pyramid (BOP)**
  - We need to cater BOP and develop market oriented products accordingly
  - Emerging markets
  - Developing countries
  - Moral responsibility to cater BOP!
  - Because they're denied resources and opportunities

# Ethical Questions in Marketing



# Ethics in Marketing Research

- Consumers are concerned about privacy
  - Proliferation of databases
  - Selling of address lists
  - Ease with which consumer information can be gathered
- Several agencies offer assistance.
- Product quality, planned obsolescence, brand similarity, and packaging raise ethical issues
  - Larger packages are more noticeable on the shelf
    - Oddly sized packages make price comparison difficult
    - Bottles with concave bottoms appear to have more liquid in them than they do

- Product quality, planned obsolescence, brand similarity, and packaging raise ethical issues
  - Example: Packaging strategy
    - Larger packages are more noticeable on the shelf
    - Oddly sized packages make price comparison difficult
- Bottles with concave bottoms appear to have more liquid in them than they do
- What is the appropriate degree of control over the distribution channel?
- Should a company distribute its products in marginally profitable outlets that have no alternative source of supply?

- Truth in advertising is the bedrock of ethics in promotion
- Marketing to children has come under increased scrutiny
- Promoting specific products to college students can raise ethical questions.
- Most regulated aspect of a firm's marketing activities
  - Example: Credit-card companies target consumers with poor credit ratings
    - Offer them what industry observers call “subprime” or “fee-harvesting” credit cards

# Marketing Information System

**A marketing information system (MKIS) is:**

- Designed specifically for managing the marketing aspects business.
- Intended to bring together disparate items of data into a coherent body of information.
- A **marketing information system (MKIS)** is a continuing and interacting structure of people, equipment and procedures to gather, sort, analyze, evaluate and distribute needed, timely and accurate information for use by marketing decision makers to improve their marketing planning, implementation, and control.

# Features of Marketing Information System

- **Continuous System**  
Permanent and continuous system of collecting information.
- **Basic Objective**  
To provide the right information at the right time to the right people to help them take right decisions.
- **Computer-Based System**  
Uses computer, so is up-to-date and accurate.
- **Future-Oriented**  
Provides information for solving future problems.
- **Used by all levels**  
Used by all three levels of management
- **Sources**  
Collects information from both internal and external sources



# Marketing Information System

These tools are:

- Time series sales models
- Brand switching models
- Linear programming
- Elasticity models (price, incomes, demand, supply, etc.)
- Regression and correlation models
- Analysis of Variance (ANOVA) models
- Sensitivity analysis
- Discounted cash flow
- Spreadsheet 'what if models

## Three levels of decision making:

- 1. *Strategic decisions*** are characteristically one-off situations. This level of decision making is concerned with deciding on the objectives, resources and policies of the organization.
- 2. *Control decisions*** deal with broad policy issues. Such decisions are concerned with how efficiently and effectively resources are utilized and how well operational units are performing.
- 3. *Operational decisions*** concern the management of the organization's marketing mix. These involve making decisions about carrying out the "specific tasks set forth by strategic planners and management.

# Marketing Information System vs. Marketing Research

	Marketing Information System	Marketing Research
Meaning	to collect, analyze and supply relevant marketing information to the marketing managers	systematic process of collecting and analyzing information to solve a specific marketing problem
Purpose	to provide relevant information to marketing managers and enable them to make effective marketing decisions	to solve a specific marketing problem.
Scope	Wide	Narrow

# Marketing Information System vs. Marketing Research



	Marketing Information System	Marketing Research
Reports	gives four types of reports namely, plan-reports, periodic-reports, triggered-reports and demand reports	provides only one report called as 'MR Report'
Orientation	Future Oriented	Past & Present Oriented
Problems	solve many different marketing problems at one time	only deals with a single marketing problem at one time

# Marketing Information System vs. Marketing Research

	Marketing Information System	Marketing Research
Data	collected more frequently, usually almost daily	not collected frequently
Operation	permanent and continuous system	not a continuous system.
Computers	heavily based on the use of computers	hardly makes use of computers

# Agricultural MkIS in Asia and Pacific Region

## Proposed model for Agriculture Marketing Information System (AGROMIS)

