Marketing Management

Notes

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Marketing Management - Meaning Scope, Define Market, Marketing, core concepts, Marketing Orientations

Ms. Shruti Kondi

Mr. Rahul Mankoji

Ms. Nayan Belgundkar

Mr. Asif Melinmani

(MBA Semester 1, Batch of 2011-13)

Marketing management

Meaning:
Marketing management focuses on satisfying customer requirements by identifying needs and wants, and developing products and services to meet them**.**

Definition: Marketing management "is a science and art of choosing target market and getting, growing and keeping customers by creating, delivering and communicating customer superior value".

What is marketed?
It specifies "tangibility spectrum":-

.Goods   Services associated with good.   Goods associated with services   Services

i. **Goods**: Goods constitute the bulk production and marketing efforts. Companies market cars, trucks, television sets, machine tools, watches, cosmetics etc.
Service can also be associated with goods.
ii. **Services**: Services include the work of airlines, hotels, maintenance and repair people, bakers, lawyers, doctor's management consultants. Many market offerings consist of a variable mix of goods and services. At fast food restaurant, for example, the customer consumes both a product and a service.
iii. **Events**: Marketers promote time based events, such as major trade shows, artistic performances, and company anniversaries. Global sporting events such as the Olympics and the World Cup are promoted.
iv. **Experiences**: An amusement park or a water park represents experiential marketing: customers by taking "rides" in the amusement park or the water park enjoy the thrill provided by these experiences.
v. **Persons**: Celebrity marketing is a major business. Artists, musicians, CEOs, high profile people all get help from celebrity marketers. Celebrities such as Amitabh Bachchan, Sachin Tendulkar, Shah Rukh Khan, Aishwarya Rai are big brand themselves.
vi. **Places**: Cities, states, regions, and whole nations compete actively to attract tourists. In software industry Bangalore is positioned as the "silicon valley" of India. In tourism industry, Karnataka is marketed as "One state many words". The Government of India is marketing India as a tourist destination through the "Incredible India "advertisement campaign.
vii. **Organizations**: Organizations actively work to build a strong, favorable, and unique image in the minds of their target publics. Universities, museums, performing arts organizations, and nonprofits all use marketing to boost their public image and to compete for audiences and funds.
Eg: Philips "Sense and Simplicity" campaign.
viii. **Property:** Properties are intangible rights of ownership of either real property (real estate) or financial property (stocks and bonds). Properties are bought and sold, and exchanges require marketing. Investment Companies and banks market securities to both institutional and individual investors.

ix. **Information**: Information is essentially what books, schools, and universities produce, market, and distribute at a price to parents, students and communities.
Eg: Travel guides, Periodicals, newspapers etc.

x. **Idea:** Every market includes a basic idea. Products and services are platforms for delivering some idea or benefit.
Eg: ideas creting awareness about AIDS, discouraging smoking and so on.

Marketers and prospects:
A marketer is someone seeking one or more prospects who might engage in an exchange of values.
A prospect is someone whom the marketer identifies as potentially willing and able to engage in an exchange of value.
When one partly is more actively seeking and exchange than the other party, we call the first partly a marketer and second partly a prospect.

Market: The concept of exchange and relationship lead to the concept of market. A market is a set of all actual and potential buyers of product or services.
In other words, market is a situation where sellers and actual and perspective buyers exist.
Eg: Window shopping, e-bay etc.

Following are the different types of market:

1. **Consumer Markets:** When an individual buys product for personal consumption or for gifting to another individual for his personal consumption is called as Consumer market. Eg: Cosmetics, shoes etc.
2. **Business Markets:** When buyer buys the product for a resell or to manufacture a product for a sale. It is called as Business market. Eg: Furniture, PC etc.
3. **Global Market:** When companies market the product across the countries, across the continent by altering the product as per the requirement of that specific market is known as Global market. The decision is made in the face of different requirements for buying, negotiating, owing; different culture, language and legal and political systems and currencies that might fluctuate in value.
4. **Non-profit and Governmental Markets:** Companies sell their goods to non-profit organizations such as churches, universities, charitable institutions and government organization need to price carefully, because these buyers will have limited purchasing power. Government purchasing calls for bids and buyers often favors for lowest bid in the absence of extenuating factors.
5. **B-B Market** – Business to Business Market
6. **B-C Market** – Business to Consumer Market
7. **C-C Market** – Consumer to Consumer Market

Marketing
Meaning:
Meeting needs profitably of consumers and organization is called as marketing. The concept of exchange and relationship lead to the concept of market. A market is a set of all actual and potential buyers of product or services.

Define Marketing.

According to AMA, "Marketing is a function and set of processes for creating, communicating and delivering a value to customer and managing customer relationship in the way that benefits organization as well as consumer".

Marketing depends on various concepts so that Phillip kotler states that marketing rests on core concepts. Following are the important core concepts of marketing are:

Core Concepts of Marketing

1. **Need: -** A human need is a state of felt deprivation of some basic satisfaction. e.g. people require food, clothing, shelter, safety, belonging & esteems.

   Types of Needs:

   a. **Stated needs** - the customer wants an inexpensive car.
   b. **Real needs** - wants a car with operating cost, not its initial price is low.
   c. **Unstated needs** - the customer expects good service from the dealer.
   d. **Delight needs -** would like the dealer to include an onboard navigation system.
   e. **Secret needs** - the customer wants friends to see him as savvy consumer.

2. **Wants:-**

   Wants are the forms taken by human needs has they are shape by culture & individual personality people have almost unlimited wants but unlimited resources. People want to choose product that provide the most value & satisfaction for their money.

   Example: - a human being needs food but wants the burger, French rice, & soft drink.

3. **Demand:-**

   Given with they wants & resources. People demand product with benefits that adapt to the most value of a satisfaction.

   Types of Demand:

   a. **Negative Demand**: Consumers dislike the product and may even pay a price to avoid it. e.g: Drug (medicine).
   b. **Nonexistent Demand:** Consumers may be unaware or uninterested in the product. e.g: Insurance policy.
   c. **Latent Demand:** Consumers may share a strong need that cannot be satisfied by an existing product. e.g: Cigarettes.
   d. **Declining Demand:** Consumer begin to buy the product less frequently or not at all.
   e. **Irregular Demand**: Consumer purchases vary on a seasonal, monthly, weekly, daily, or even hourly basis. e.g: Bouquet.
   f. **Full Demand:** Consumers are adequately buying all products put into the marketplace.
   g. **Overfull Demand:** More consumers would like to buy the product that can be satisfied. e.g: Demarketing.
   h. **Unwholesome Demand:** Consumers may be attracted to products that have undesirable social consequences. e.g: Alcohol.

4. **Value**: Value is a central marketing concept. It reflects the sum of perceived tangible and intangible benefits and costs to customers. It is the relation between cost and benefit. It is the relation between what we give and what we get. Value increases with quality and services and decreases with price.
   - Benefit can be functional benefit and emotional benefit.
   - Cost can be time cost, energy cost and psychological cost.

Value: $\frac{\text{Benefit}}{\text{Cost}}$

5. **Satisfaction:** Satisfaction reflects a person's judgments of a product's perceived performance in relationship to expectations. If performance falls short of expectations, person is dissatisfied and disappointed. If it matches expectations, the customer is satisfied. If it exceeds them, the customer is delighted.
6. **Segmenting:** Dividing the market by grouping the customers with similar tastes and preferences into one group is called segmentation.
   Different **levels of segmentation** are:
   1. Segment Marketing
   2. Niche Marketing
   3. Local Marketing
   4. Individual Marketing

   Bases for Segmentation:
   1. Geographic Segmentation
   2. Demographics Segmentation
   3. Psychographic Segmentation
   4. Behavioral Segmentation
7. **Targeting:** It can be defined as a concentrating resources and efforts on particular market segment and segments.
   Eg: Mercedes for high end people.
8. **Positioning**: It deals with creating a distinct image in the minds of the customer.
   Eg: Maggi- in 2minutes.
   Volvo for safety.

Marketing Orientations

There are five main alternatives to adopting a marketing orientation. These are:

a. Selling orientation.
b. Production orientation.
c. Product orientation.
d. Marketing orientation.
e. Societal Marketing

These are described briefly below:

Selling orientation

The selling concept holds that consumers and businesses, if left alone, won't buy enough of the organizations products. The organization must therefore, undertake an aggressive selling and promotion effort. e.g. Insurance Company they make policy and make it available to customers.

Production orientation

A production concept is one of the oldest concepts in business. It helds that consumers will prefer products that are widely available and inexpensive. A production -orientated business is said to be mainly concerned with making as many units as possible (mass production and distribution). By concentrating on producing maximum volumes, such a business aims to maximize profitability by exploiting economies of scale. It occurs in a situation when product exceeds supply and when the product cost is too high. .

Product orientation

This is different from a production orientation. The product concept proposes that consumers favor products that offer the most quality, performance, or innovative features. In these organizations focus on making superior products and improving them over time. The business that is "obsessed" with its own products, perhaps even arrogant about how good they are. Their products may start out as fully up-to-date and technical leaders. e.g. Apple products like i-phone, i-pod. They focuss on product development and come with great quality products.

Marketing orientation

The marketing orientation emerged with the concept of "sense-and-respond" philosophy. The job is not to find right customers for your product but to find right product for your customers. The marketing orientation holds that key to achieving organizational goals is being more effective than competitors in creating, delivering and communicating superior customer value to chosen target markets.

Holistic marketing

Holistic marketing recognizes that "everything matters" in marketing. The concept is based on the development, design and implementation of marketing programmes, processes and activities that recognizes their breadth and interdependencies

a. **Relationship marketing**

   It aims to build mutually satisfying long term relationship with key constituents in order to earn and retain their business.

   Four key constituents of relationship marketing

   - Customers
   - Employees
   - Marketing partners(channels,suppliers,distributers,dealers,agencies)
   - Members of the financial community(shareholders,investors,analyst)

b. **Integrated marketing**

   Marketers task is to devise marketing activities and assemble fully integrated marketing programs to create, communicate, and deliver value of consumers.

c. **Internal Marketing**

   Internal marketing is the task of hiring, training, and motivating able employees who want to serve customers well.

Performance Marketing

Holistic marketing incorporates performance marketing and understanding the returns to the business from marketing activities and programs, as well as addressing broader concerns and their legal, ethical, social, and environmental effects.

- Financial Accountability
- Social Responsibility Marketing
- Social Initiatives
- Corporate social marketing
- Cause marketing
- Corporate philanthropy
- Corporate community involvement
- Socially responsible business practices

Consumer value & satisfaction,

Marketing Organization- scope and types

Ms. Rashmi Puthani

Ms. Jyoti Melage

Mr. Ashok Lamani

Mr. Vithal Dalwai

(MBA Semester 1, Batch of 2011-13)

Consumer Value and Satisfactions:

Value:
Value is a central marketing concept. It is the ratio of benefits got for the cost of it. The offering will be successful if it delivers value and satisfaction to the target buyer. The buyer chooses between different offerings based on which he perceives to deliver the most value. Thus, Value reflects the some of the perceived tangible and intangible benefits and costs to consumers.
It is primarily a combination of quality, service and price (“qsp”), called the “customer value triad.” Value increases with quality and service and decreases with price. Other factors also play an important role.
VALUE = BENEFIT / COST
Where, benefit includes Functional benefit, Emotional benefit and Economic benefit .Benefit is the perceived monetary value of the bundle of economic functional and psychological benefits customers expect from a given market offering because of the products, services, personnel and image involved.
And cost includes total of the monetary cost plus psychic costs like time, energy and other botherations incurred by the buyer. Cost consists of tangible and intangible components.
Satisfaction:
Satisfaction reflects a person’s judgments of a product are perceived performance (or outcome) in relationship to expectations. If the performance falls short of expectations, the customer is dissatisfied and disappointed. If it matches expectations, the customer is satisfied. And if it exceeds them, the customer is delighted.
To deliver value and satisfaction to the consumers a firm has undergo the following types of risk:

1) Functional Risk
2) Financial Risk
3) Physical Risk
4) Social Risk
5) Psychological Risk

Marketing Organization:
The role of marketing in the organization is changing. Traditionally, marketers have played the roles of middlemen, charged with understanding customer needs and transmitting the voice of the customer to various functional areas in the organization. But in a networked enterprise, every functional area can interact directly with customers. Marketing no longer has sole ownership of customer interactions; rather, marketing needs to integrate all the customer-facing processes so customers see a single face and hear a single voice when they interact with the firm.
Types of Marketing Organizations:
Modern marketing can be organized in a number of different ways. They are as follows:

1) Functional Organization
2) Geographic Organization
3) Product or Brand –Management Organization
4) Matrix- Management Organization
5) Market Organization

These organizations are briefly explained below
Functional Organization:

The most common form of marketing organization consists of functional specialists reporting to a marketing vice president, who coordinates their activities. This includes customer service manager, marketing planning manager, sales manager, marketing research manager, new product manager, etc. The main advantage of this organization is its administrative simplicity. This type of organization often leads to inadequate planning for specific products and markets.

Geographic Organization:

A company selling in the national market often organizes it's a sales force on geographic lines. The national sales manager supervises regional sales manager, who supervise zonal or branch managers supported by sales officers, sales supervisors and sales persons.

Improved information and marketing research technologies have spurred regionalization. Data from retail-store scanners allow instant tracking of product sale, helping company's pinpoint local problems and opportunities.

Product or Brand –Management Organization:

Companies producing a variety of products and brands often establish a product-brand management organization. The product management organization does not replace the functional organization, but serves as another layer of management. In this organization a product manager supervises product category managers, who in turn supervise product and brand managers.

Matrix- Management Organization:

Companies that produce many products for many markets may adopt a matrix organization. A matrix organization seems desirable in a multi product, multi market company. The problem is that it is costly and often creates conflicts.

Market Organization:

Many companies sell to different markets. When customers fall in to different user groups with distinct buying preferences and practices, a market management organization is desirable. Market managers supervise several market- development mangers, market specialists or industry specialist and draw on functional services as needed.

Meaning and significance of marketing planning

Marketing planning involves deciding on marketing strategies that will help the company attain its overall strategic objectives. A Detailed marketing plan is needed for each business, product or brand the development of longer-term plans which have generally stronger impact than the short-term programs.

Significance:-

- It helps to ensure that marketing activity is properly focused & integrated.
- It enables everyone in the organization to know exactly what will happen and when.
- It enables the business to take advantage of market opportunities.
- Identify the right marketing mix.
- It puts the business in a position to react to unexpected events.
- Marketing planning of an organization is planning for that organization's revenue-earning activities.
- It consists of a plan identifying what basic goals and objectives will be pursued and how they will be achieved within a specific time frame.
- Marketing planning helps in maintaining a viable fit between the organization's goals, objectives, targets, skills and resources with its changing market opportunity.

Meaning and significance of Marketing planning, corporate & divisional strategic planning, SBU planning, the market process and product planning

Ms. Pooja Pawar

Mr. Rajesh Belgaumkar

Mr. Mahesh Patil

Ms. Prerana Kalannavar

(MBA Semester 1, Batch of 2011-13)

Corporate & division strategic planning

Strategic planning:

The process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing marketing opportunities is called Strategic planning. Strategic planning involves developing a strategy to meet competition and ensure long-term survival and growth.

Strategic planning is mainly of three types:

Strategic Planning:

Major activities in strategic planning process include developing the company's goals and plans. Typically strategic planning focuses on long-term issues and emphasizes the survival, growth, and overall effectiveness of the organization.

Tactical Planning:

Tactical planning is concerned with translating the general goals and plans developed by strategic managers into objectives that are more specific and activities. These decisions, or tactics, involve both a shorter time horizon and the coordination of resources.

Operational Planning:

Operational planning is used to supervise the operations of the organization. It is directly involved with non-management employees, implementing the specific plans developed with tactical managers. This role is critical in the organization, because operational managers are the link between management and non-management personnel.

Characteristics of a Strategic Planning:

Strategic planning consists of developing a company mission (to give it direction), objectives and goals (to give it means and methods for accomplishing its mission), business portfolio (to allow management to utilize all facets of the organization), and functional plans (plans to carry out daily operations from the different functional disciplines). Characteristics are as follows:-

- It encourages management to think ahead systematically.
- It forces managers to clarify objectives and policies.
- It leads to better coordination of company efforts.
- It provides clearer performance standards for control.
- It is useful for a fast-changing environment since sound planning helps the company anticipates and respond quickly to environmental changes and sudden developments.

Strategic planning Process:

- Defining the Company's Business and Mission
- Defining the business
- Assigning resources to SBU's
- Assessing growth opportunities.

Step 1: Defining the Company's Business and Mission:

A mission statement is a statement of the organization's purposes—what it wants to accomplish in the larger environment.

To define its mission, the company should address the classic questions?

- What is our business?
- Who is the customer?
- What is of value to the customer?
- What will our business be?

- What should our business be?

An organization develops a mission statement to share with managers, employees, & customers. A clear thoughtful mission statement provides employees with a shared sense of purpose, direction, & opportunity. Good mission statements focus on a limited number of goals, stress the company's major policies & values, & define the company's major competitive spheres.

Step 2: Defining the business:

A business can be defined in terms of three dimensions:

- Customer groups,
- Customer needs, &
- Technology.

"A target market definition" tends to focus on selling a product to a current market. e.g.: Pepsi could define its target market as everyone who drinks cola beverages; its competitors would therefore be cola companies.

"A strategic market definition" focuses also on the potential market. If Pepsi considered everyone who might drink something to quench his/her thirst, its competition would also include non-cola soft drinks, bottled water fruit juices, tea & coffee. To better compete, Pepsi might decide to sell additional beverages with promising growth rates.

Step 3: Assigning resources to SBU's:

The third step in the strategic planning process is assigning resources to SBU's. The business portfolio is a collection of businesses and products that make up the company. The best business portfolio is the one that best fits the company's strengths and weaknesses to opportunities in the environment. The purpose of identifying the company's strategic business units is to develop separate strategies & assign appropriate funding.

Step4 :Assessing growth opportunities:

Assessing growth opportunities includes planning new business, downsizing, or terminating older businesses. A company's options for higher sales & profits include:

- Intensive growth,
- Integrative growth, &
- Diversification growth.

Intensive growth: one useful framework for identifying intensive growth opportunities is a "Product – market expansion grid".

- **Market penetration strategy**: - The Company first considers whether it could gain market share with its current products in current markets by encouraging current customers to buy more, attracting competitor's customers, or convincing nonuser's to start buying its products.
- **Market development strategy**:- It considers whether it can find or develop new markets for its current products.
- **Product development strategy**:- It considers whether it can develop new products for its current markets.
- **Diversification strategy**: - It will also review opportunities t develop new products for new markets.

Integrative growth:

- Acquiring a supplier: - often growth can be achieved through **backward integration.**
- Acquiring a distributor:- growth can be achieved through **forward integration.**

- Acquiring a competitor:- growth can be achieved through **horizontal integration**.

Diversification growth: There are three types of diversification:

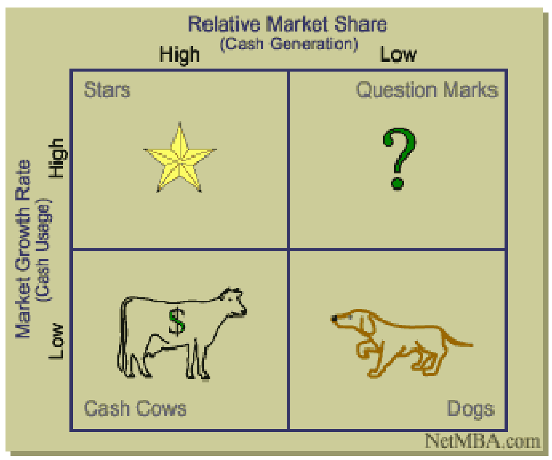
Concentric diversification strategy:- The company could seek new products that have technological or marketing synergies with existing product lines, though the new products themselves may appeal to a different group of customers.

Horizontal diversification strategy:- The company might search for new products that appeal to its current customers but are technologically unrelated to the current product line.

Conglomerate diversification strategy:- The company might seek new businesses that have no relationship to the company's current technology, products or markets.

Different tools used for SBU's (Strategic Business Unit)

The Boston Consulting Growth-Share Matrix(BCG Matrix)



The BCG growth-share matrix displays the various business units on a graph of the market growth rate v/s market share relative to competitors

The business portfolio is the collection of businesses and products that make up the company. The best business portfolio is one that fits the company's strengths and helps exploit the most attractive opportunities.

Cash Cow - a business unit that has a large market share in a mature, slow growing industry. Cash cows require little investment and generate cash that can be used to invest in other business units. **Strategy adopted by companies is Harvest**

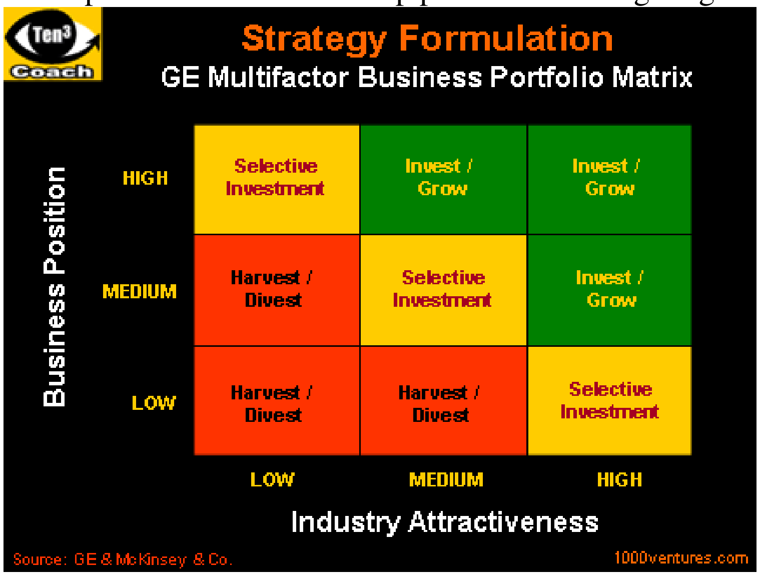
Star - a business unit that has a large market share in a fast growing industry. Stars may generate cash, but because the market is growing rapidly they require investment to maintain their lead. **Strategy adopted by companies is Hold**

Question Mark - a business unit that has a small market share in a high growth market. These business units require resources to grow market share, but whether they will succeed and become stars is unknown. **Strategy adopted by companies is Build**

Dog - a business unit that has a small market share in a mature industry. A dog may not require substantial cash, but it ties up capital that could better be deployed elsewhere. Unless a dog has some other strategic purpose, it should be liquidated if there is little prospect for it to gain market share. **Strategy adopted by companies is Divest.**

GE 9 CELL MATRIX

The GE/McKinsey Matrix was developed jointly by McKinsey and General Electric in the early 1970's as a derivation of the BCG Matrix. The GE/McKinsey Matrix is a nine-cell (3 by 3) matrix used to perform business portfolio analysis on the strategic business units (SBU) of a corporation. A well balanced portfolio is one of the top priorities of a large organization.



Industry Attractiveness

The horizontal axis of the GE / McKinsey matrix is industry attractiveness, which is determined by factors such as the following:

- Market growth rate
- Market size
- Demand variability
- Industry profitability
- Industry rivalry
- Global opportunities
- Macro environmental factors

Each factor is assigned a weighting that is appropriate for the industry. The industry attractiveness then is calculated

Business Unit Strength

The vertical axis of the GE / McKinsey matrix is the strength of the business unit. Some factors that can be used to determine business unit strength include:

- Market share
- Growth in market share
- Brand equity
- Distribution channel access
- Production capacity
- Profit margins relative to competitors.

The business unit strength index can be calculated by multiplying the estimated value of each factor by the factor's weighting, as done for industry attractiveness

Six steps are necessary to implement the GE/McKinsey analysis:

1. Determine which factors are relevant for the corporation in the industry where it operates
2. Assign a weight to each factor
3. Score each factor
4. Multiply the relative scores and weights
5. Sum all up and interpret the graph
6. Perform a review analysis

ADL MATRIX

Arthur D Little (ADL) Matrix was developed in the late 1970s by the highly respected Arthur D Little consulting company; it helps you think about strategy based on:

Competitive Position – How strong is your strategic position?

Industry Maturity – At what stage of its lifecycle is the industry?

The ADL Matrix addresses these unique needs by recommending general strategies for different combinations of competitive position and industry maturity.

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ADL Matrix

Competitive Position	Industry life cycle stage: Embryonic	Growth	Mature	Aging
Dominant	All out push for share. Hold position.	Hold position. Hold share.	Hold position. Grow with industry.	Hold position.
Strong	Attempt to improve position. All out push for share.	Attempt to improve position. Push for share.	Hold position. Grow with industry.	Hold position or harvest.
Favorable	Selective or all out push for share. Selectively attempt to improve position.	Attempt to improve position. Selective push for share.	Custodial or maintenance. Find niche and attempt to protect it.	Harvest, or phased out withdrawal.
Tenable	Selectively push for position.	Find niche and protect it.	Find niche and hang on, or phased out Withdrawal.	Phased out withdrawal, or Abandon.
Weak	Up or out.	Turnaround or abandon.	Turnaround, orphaned out withdrawal.	Abandon.

Industry Maturity

There are four categories of industry maturity (also referred to as the industry life cycle):

Embryonic – The introduction stage, characterized by rapid market growth, very little competition, new technology, high investment and high prices.

Growth – The market continues to strengthen, sales increase, few (if any) competitors exist, and company reaps rewards for bringing a new product to market.

Mature – The market is stable, there's a well-established customer base, market share is stable, there are lots of competitors, and energy is put toward differentiating from competitors.

Aging – Demand decreases, companies start abandoning the market, the fight for market share among remaining competitors gets too expensive, and companies begin leaving or consolidating until the market's demise.

Competitive Position

The five categories for competitive position are as follows:

Dominant – This is rare and typically short-lived. There's little, if any, competition, usually a result of bringing a brand-new product to market or having built an extremely strong reputation in the market (think Microsoft). Often results from a near monopoly or protected leadership.

Strong – Market share is strong and stable, regardless of what your competitors are doing.

Favorable – Your business line enjoys competitive advantages in certain segments of the market. However, there are many rivals of equal strength, and you have to work to maintain your advantage.

Tenable – Your position in the overall market is small, and market share is based on a niche, a strong geographic location, or some other product differentiation. Strong competitors are overtaking your market share by building their products and defining clear competitive advantages.

Weak – There's continual loss of market share, and your business line, as it exists, is too small to maintain profitability.

MARKETING PROCESS

Step1 : Understand the marketplace and customer needs and wants:

As a first step, marketers need to understand customer needs and wants and the marketplace within which they operate. In order to understand the consumer, it is necessary to know his needs, wants demands. However, for a complete understanding of the marketing process, the term should be clearly understood. Need are basic human requirements like food, security, clothing, and survival. Wants are the needs directed to specific product/service. A demand refers to human wants that are backed by buying power.

Step2 : Design a customer-driven marketing strategy:

To design a winning marketing strategy, the marketing manager must answer two important questions? What customers will we serve (what's our target market)? and How can we serve these customers best(what's our value proposition)?

The company must first decide who it will serve. It does this by dividing the market into segments of customers (market segmentation) and selecting which segments it will go after (target marketing)

The company must also decide how it will serve targeted customers- how it will differentiate and position itself in the market place.

Step 3: Preparing an integrated marketing plan and program:

The marketer develops an integrated marketing program that will actually deliver the intended value to target customers. The marketing program builds customer relationships by transforming the marketing strategy into action. It consists of the firm's marketing mix, the set of marketing tools the firm uses to implement its marketing strategy. The firm must blend all these marketing mix tools into a comprehensive integrated marketing program that communicates and delivers the intended value to chosen customers.

Step 4: Building customer relationships

It means the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction

Step 5: Capturing value from customers:

The final step involves capturing value in return in the form of current and future sales, market share, and profits. By creating superior customer value, the firm creates highly satisfies customers who stay loyal and buy more. This, in turn, means long run returns for the firm.

Step 6: Product planning/ product development

a. **Idea generation**:- New product development starts with idea generation- the systematic search for new product ideas.
b. **Idea Screening**:- This process involves shifting through the ideas generated above and selecting ones which are feasible and workable to develop.
c. **Concept Development and Testing:-** The organization may have come across what they believe to be a feasible idea, however, the idea needs to be taken to the target audience.
d. **Marketing Strategy and Development**:- Designing an initial marketing strategy for a new product based on the product concept. How will the product/service idea be launched within the market?
e. **Business Analysis**:-The company has a great idea, the marketing strategy seems feasible, but will the product be financially worth while in the long run?
f. **Product Development**:- Developing the product concept into a physical product in order to ensure that the product idea can be turned into a workable market offering.g.
g. **Test Marketing**:- Test marketing means testing the product within a specific area. The product will be launched within a particular region so the marketing mix strategy can be monitored and if needed.
h. **Commercialization**:- If the test marketing stage has been successful then the product will go for a launch. There are certain factors that need to be taken into consideration before a product is launched. These are timing, how the product will be launched, where the product will be launched, etc.

Scanning the marketing environment, identifying and responding to major macro environmental forces

Ms. Chaitali Madaval

Mr. Santosh Castalino

Ms. Priyanka Tudavekar

Mr. Manjunath Angolkar

(MBA Semester 1, Batch of 2011-13)

PESTND Analysis – Macro Environmental Factors

Political Environment

The political arena has a huge influence upon the regulation of businesses, and the spending power of consumers and other businesses. Factors such as:

- How stable is the political environment?
- Will government policy influence laws that regulate or tax your business?
- What is the government's position on marketing ethics?
- What is the government's policy on the economy?
- Does the government have a view on culture and religion?
- Is the government involved in trading agreements such as EU, NAFTA, ASEAN, or others?

Demographic Environment

The Demographic forces that marketer monitor is population, because people make up marketer. Marketers are keenly interested in the size and growth rate of population in cities, regions, and nations; age distribution and ethnic mix; educational levels; household patterns; and regional characteristics and movements.

Explosive population growth has major implications for business. A growing population does not mean growing market, unless these markets have sufficient purchasing power. Nonetheless, companies that carefully analyze their market can find major opportunities.

Economic Environment

The available purchasing power in an economy depends on current income, price, savings, debt, and credit availability. Marketer must pay careful attention to trends affecting purchasing power, because they cant have a strong impact on business, especially for companies whose products are geared to high- income and price-sensitive consumer.

Macroeconomic indicators of the country provide the overall health of the economy as well as the direction of economic growth. A marketer needs to understand the distribution of income to reach more meaningful conclusions about taking specific decisions.

The NCAER has classified Indian consumers into five categories

- **Destitute:** Annual household's income of Rs. 16000; not active participants in market exchange for a wide range of goods.
- **Aspirants:** Annual household's income of Rs. 16000 – 22000; new entrants into the consumption systems to increase in their real income.
- **Climbers:** Annual households income between Rs. 22000- 45000; have desire and willingness to buy, but have limited cash at hand
- **Consuming:** Annual households income of Rs. 45000-215000; households that form the majority of consumers; have money and are willing to spend.
- **Rich:** Those who have money and own a wide range of products.

For several product categories, the demand is likely to increase as results of growth in income and the number of households with greater purchasing power. This gives additional opportunities for companies to introduce new market offers that address the needs of "new" consumers who have just entered the market due to their income increase. The marketing strategy for companies needs to be focused on utilization these opportunities that are spin-off of the economic growth.

Social- cultural environment

Society shapes the beliefs, values, and norms that largely define consumer tastes and preferences. People absorb, almost unconsciously, a world view that defines their relationships to themselves, to others, to organizations, to society, to nature, and to the universe.
Some characteristics of social- cultural environment are:

1. **Persistence of cultural values**: People's core beliefs and values have a high degree of persistence. Core beliefs and values are passed on from parents to children and are reinforced by schools, churches, business, and government. Secondary beliefs and values are more open to change.
2. **Shifts in secondary cultural values:** Since secondary cultural values and beliefs are open to change, marketers want to spot them and be able to capitalize on the change potential. Society's major cultural views are expressed in:
    a. People's views of themselves: People vary in their emphasis on serving themselves versus serving others. In the 1980s, personal ambition and materialism increased dramatically, with significant implications for marketing. The leisure industry was a chief beneficiary.
    b. People's views of others**:** Observers have noted a shift from a "me-society" to a "we-society." Consumers are spending more on products and services that will improve their lives rather than their image.
    c. People's views of organizations**:** People are willing to work for large organizations but expect them to become increasingly socially responsible. Many companies are linking themselves to worthwhile causes. Honesty in appeals is a must.
    d. People's views of society: This orientation influences consumption patterns. "Buy American" versus buying abroad is an issue that will continue into the next decade.
    e. People's view of nature: There is a growing trend toward people's feeling of mastery over nature through technology and the belief that nature is bountiful. However, nature is finite. Love of nature and sports associated with nature are expected to be significant trends in the next several years.
    f. People's views of the universe: Studies of the origin of man, religion, and thought-provoking ad campaigns are on the rise. Currently, Americans are on a spiritual journey. This will probably take the form of "spiritual individualism."

Natural Environment

Deterioration of the natural environment is a major global problem. Environmentalists in India have been actively campaigning against pollution – causing industries. Deterioration and shortage of drinking water in the vicinity of the plant is an example of the increasing environmental consciousness.
Some trend analysts labeled the specific areas of concern were:

- **Shortages of raw materials:** Staples such as air, water, and wood products have been seriously damaged and non-renewable such as oil, coal, and various minerals have been seriously depleted during industrial expansion.
- **Increased pollution:** It is a worldwide problem. Industrial damage to the environment is very serious. Far-sighted companies are becoming "environmentally friendly" and are producing environmentally safe and recyclable or biodegradable goods. The public

response to these companies is encouraging. However, lack of adequate funding, especially in third world countries, is a major barrier.

- **Government intervention:** in natural resource management has caused environmental concerns to be more practical and necessary in business and industry. Leadership, not punishment, seems to be the best policy for long-term results. Instead of opposing regulation, marketers should help develop solutions to the material and energy problems facing the world.
- **Environmentally sustainable strategies:** The so-called green movement has encouraged or even demanded that firms produce strategies that are not only environmentally friendly but are also environmentally proactive. Firms are beginning to recognize the link between a healthy economy and a healthy environment.

Technological Environment

One of the most dramatic force shaping people's lives is technology. Through the years, technology has released such wonders as penicillin, open-heart surgery, and the birth control pill. It has also released such mixed blessings as cell phones and video games.

Marketer should monitor the following four trends in technology:

- **Accelerating pace of change:** many of today's common products were not available 40 years ago. Electronic researchers are building smarter chips to make our cars, homes, and office connected and more responsive to change conditions.
- **Ultimate opportunities for innovation:** some of the most existing work today is taking place in biotechnology, computers, microelectronics, telecommunications, robotics, and designer materials.
- **Varying R&D budgets:** increasing opportunities emerging ad a result of globalization are forcing many companies in South Asia to increase their research and development efforts.
- **Increased regulation of technological change:** government has expanded its agencies' power to investing and ban potentially unsafe products. Marketers should be aware of the regulations concerning product safety, individual privacy, and other areas that affect technological changes.

Anaysing and understanding the buying behaviour in consumer and industrial market

Ms. Abhishek Kolekar

Ms. Sneha Ajarekar

Mr. Shashank Shinde

Mr. Nagraj Hawaldar

(MBA Semester 1, Batch of 2011-13)

Fad, Trend and Megatrends

A fad is unpredictable, short-lived, and without social, economic, and political significance. A company can cash in on a fad such as Beanie Babies, Furbies, and Tickle Me Elmo dolls, but getting it right is more a matter of luck and good timing than anything else.

A trend is a direction or sequence of events that has some momentum and durability. Trends are more predictable than fads. A trend reveals the shape of the future and provides many opportunities.

For e.g.; The percentage of people who value physical fitness and well-being has risen steadily over the years, especially in the under-30 group, young women, upscale consumers, and people living in the west.

Megatrends have been described as large social, economic, political, and technological changes that are slow to form, and once in place, they influence us for sometime between 7 to 10 years, or longer. Young people in this region are playing an increasingly significant role in the consumption of products and services.

Factors influencing Consumer Behavior

1. **Cultural Factor:**
   Cultural factor divided into three sub factors
      a. **Culture b. Sub Culture c. Social Class**
   a. **Culture**:- The set of basic values perceptions, wants, and behaviors learned by a member of society from family and other important institutions. Culture is the most basic cause of a person's wants and behavior. Every group or society has a culture, and cultural influences on buying behavior may vary greatly from country to country.
   b. **Sub Culture**:- A group of people with shared value systems based on common life experiences and situations. Each culture contains smaller sub cultures a group of people with shared value system based on common life experiences and situations. Sub culture includes nationalities, religions, racial group and geographic regions. Many sub culture make up important market segments and marketers often design products.
   c. **Social Class**:- Almost every society has some form of social structure, social classes are society's relatively permanent and ordered divisions whose members share similar values, interests and behavior.
2. **Social Factors:**
   A consumer's behavior also is influenced by social factors, such as the
      a. **Groups b. Family c. Roles and status**
   a. **Groups**:- Two or more people who interact to accomplish individuals or mutual goals. A person's behaviors are influenced by many small groups. Groups that have a direct influence and to which a person belongs are called membership groups. Some are primary groups includes **family, friends, neighbors and coworkers**. Some are secondary groups, which are more formal and have less regular interaction. These include organizations like religious groups, professional association and trade unions.
   b. **Family**:- Family members can strongly influence buyer behavior. The family is the most important consumer buying organization society and it has been researched

extensively. Marketers are interested in the roles, and influence of the husband, wife and children on the purchase of different products and services.

c. **Roles and Status**:- A person belongs to many groups, family, clubs, and organizations.The person's position in each group can be defined in terms of both role and status.

Personal Factors:-

a. Age and life cycle stage b. Occupation c. Economic situation d. Life Style
e. Personality and self concept.

a. **Age and Life cycle Stage**:- People change the goods and services they buy over their lifetimes. Tastes in food, clothes, furniture, and recreation are often age related. Buying is also shaped by the stage of the family life cycle.
b. **Occupation**:- A person's occupation affects the goods and services bought. Blue collar workers tend to buy more rugged work clothes, whereas white-collar workers buy more business suits. A Co. can even specialize in making products needed by a given occupational group. Thus, computer software companies will design different products for brand managers, accountants, engineers, lawyers, and doctors.
c. **Economic situation:-** A person's economic situation will affect product choice
d. **Life Style**:- Life Style is a person's Pattern of living, understanding these forces involves measuring consumer's major AIO dimensions.i.e. activities (Work, hobbies, shopping, support etc) interest (Food, fashion, family recreation) and opinions (about themselves, Business, Products)
e. **Personality and Self concept**:- Each person's distinct personality influences his or her buying behavior. Personality refers to the unique psychological characteristics that lead to relatively consistent and lasting responses to one's own environment.

3. **Psychological Factors:-**
   It includes these Factors.
   a. Motivation b. Perception c. Learning d. Beliefs and attitudes

a. **Motivation:-** Motive (drive) a need that is sufficiently pressing to direct the person to seek satisfaction of the need
b. **Perception**:- The process by which people select, Organize, and interpret information to form a meaningful picture of the world.
c. **Learning**:- Changes in an individual's behavior arising from experience.
d. **Beliefs and attitudes**:- Belief is a descriptive thought that a person holds about something. Attitude, a Person's consistently favorable or unfavorable evaluations, feelings, and tendencies towards an object or idea

Perception and explains perception process

Perception is the process by which we select, organize, and interpret information inputs to create a meaningful picture of the world. The key point is that it depends not only on the physical stimuli, but also on the stimuli's relationship to the surrounding field and on conditions within each of us. In marketing perception are more important than the reality, as it perception that will affect consumers actual behavior. People can emerge with different perceptions of the same object because of three perceptual processes.

1. **Selective attention**- attention is the allocation of processing capacity to some stimulus. Voluntary attention is something purposeful; involuntary attention is grabbed by someone

or something. Because we cannot possibly attend to all these, we screen most stimuli out- a process called selective attention.

2. **Selective distortion**-selective distortion is the tendency to interpret information in a way that fits preconceptions. Consumers will often distort information to be consistent with prior brand and product beliefs and expectations.
3. **Selective retention**- most of us don’t remember much of the information to which were exposed, but we do retain information that supports our attitudes and beliefs. Because of selective retention were likely to remember good points about the product we like and forget good points about competing product.

Dealing with competition - Analysing and designing the competitive strategies

Ms. Ashwini Khanapur

Mr. Arunkumar Shetty

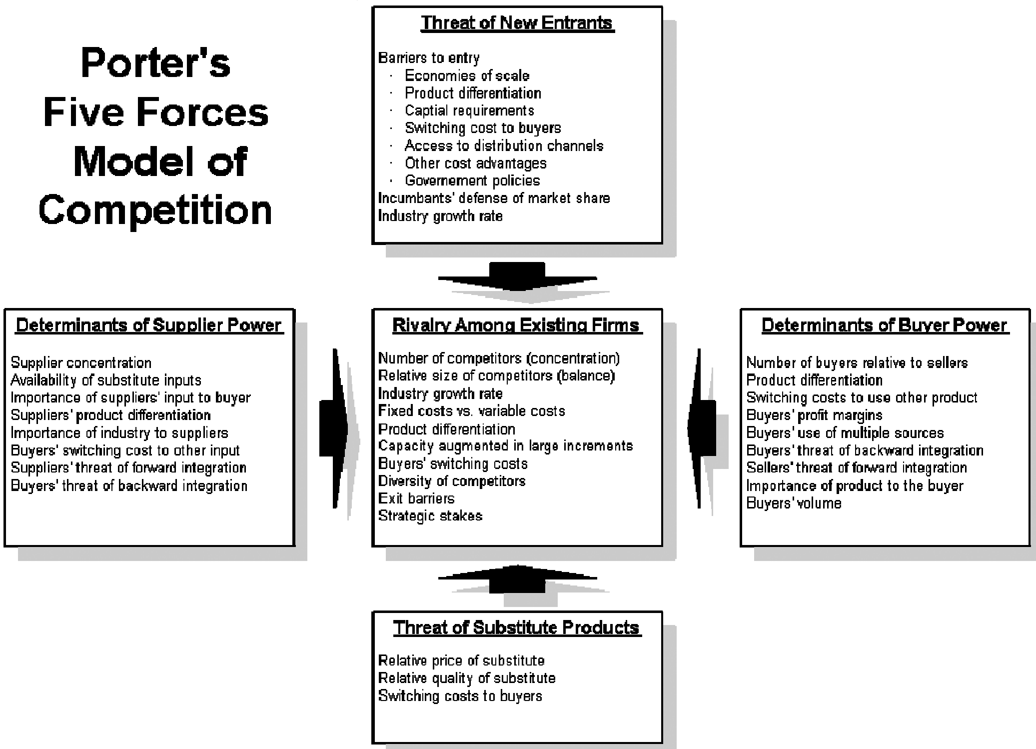
Mr. Neha kadewadi

Mr. Malliappa Kori

(MBA Semester 1, Batch of 2011-13)

Michael Porter's Five Forces Model

An industry is a group of firms that market products which are close substitutes for each other (e.g. the car industry, the travel industry).
Some industries are more profitable than others. Why? The answer lies in understanding the dynamics of competitive structure in an industry.
The most influential analytical model for assessing the nature of competition in an industry is Michael Porter's Five Forces Model, which is described below:



Porter explains that there are five forces that determine industry attractiveness and long-run industry profitability. These five "competitive forces" are

- The threat of entry of new competitors (new entrants)
- The threat of substitutes
- The bargaining power of buyers
- The bargaining power of suppliers
- The degree of rivalry between existing competitors

Threat of New Entrants

New entrants to an industry can raise the level of competition, thereby reducing its attractiveness. The threat of new entrants largely depends on the barriers to entry. High entry barriers exist in some industries (e.g. shipbuilding) whereas other industries are very easy to enter (e.g. estate agency, restaurants). Key barriers to entry include

- Economies of scale
- Capital / investment requirements

- Customer switching costs
- Access to industry distribution channels
- The likelihood of retaliation from existing industry players.

Threat of Substitutes

The presence of substitute products can lower industry attractiveness and profitability because they limit price levels. The threat of substitute products depends on:

- Buyers' willingness to substitute
- The relative price and performance of substitutes
- The costs of switching to substitutes

Bargaining Power of Suppliers

Suppliers are the businesses that supply materials & other products into the industry. The cost of items bought from suppliers (e.g. raw materials, components) can have a significant impact on a company's profitability. If suppliers have high bargaining power over a company, then in theory the company's industry is less attractive. The bargaining power of suppliers will be high when:

- There are many buyers and few dominant suppliers
- There are undifferentiated, highly valued products
- Suppliers threaten to integrate forward into the industry (e.g. brand manufacturers threatening to set up their own retail outlets)
- Buyers do not threaten to integrate backwards into supply
- The industry is not a key customer group to the suppliers

Bargaining Power of Buyers

Buyers are the people / organizations who create demand in an industry. The bargaining power of buyers is greater when

- There are few dominant buyers and many sellers in the industry
- Products are standardized
- Buyers threaten to integrate backward into the industry
- Suppliers do not threaten to integrate forward into the buyer's industry
- The industry is not a key supplying group for buyers

Intensity of Rivalry

The intensity of rivalry between competitors in an industry will depend on:

- **The structure of competition** - for example, rivalry is more intense where there are many small or equally sized competitors; rivalry is less when an industry has a clear market leader
- **The structure of industry costs** - for example, industries with **high fixed costs** encourage competitors to fill unused capacity by price cutting
- **Degree of differentiation** - industries where products are commodities (e.g. steel, coal) have greater rivalry; industries where competitors can differentiate their products have less rivalry
- **Switching costs** - rivalry is reduced where buyers have high switching costs - i.e. there is a significant cost associated with the decision to buy a product from an alternative supplier

- **Strategic objectives** - when competitors are pursuing aggressive growth strategies, rivalry is more intense. Where competitors are "milking" profits in a mature industry, the degree of rivalry is less
- **Exit barriers** - when barriers to leaving an industry are high (e.g. the cost of closing down factories) - then competitors tend to exhibit greater rivalry.

Identifying and Analyzing the Competitors

Identifying the Competitors
We can examine competition from both an industry and market point of view. An industry is a group of firms that offers a product or class of products that are close substitute for each other. Marketers classify industries according to numbers of sellers' degree of product differentiation presence or absence of entry, mobility and exit barriers cost structure degree of vertical integration and degree of globalization.
Using the market approach, competitors are companies that satisfy the same customer need. Ex: a customer who buys a word processing software really wants "writing ability" a need that can be satisfied by pencil, pens or typewriters. The market concept of competition reveals a broader set of actual and potential competition in traditional category and industry and industry terms. Coca-cola, focused on its soft drinks business, missed seeing the growing market for coffee bars and fresh fruit juice bars that cut into sales of its carbonated beverages.
Analyzing competitors
After the company has conducted customer value analysis and examined its competitors carefully, it can focus its attack on one of the following classes of competitors: strong versus weak, close versus distant and good versus bad.

- **Strong versus Weak**: Most companies aim their shots at weak competitors, because this requires fewer resources per share points gained. Yet, the firm should also compete with strong competitors to keep up with the best. Even strong competitors have some weakness.
- **Close versus Distant:** Most companies compete with the competitors that resemble them the most. Chevrolet competes with Ford, not with Ferrari. Yet companies should also identify distant competitors. Coca cola recognizes that its number one competitor is tap water, not Pepsi. Museum now worry about theme parks and malls.
- **Good versus Bad:** Every industry contains good and bad competitors. Good competitors play by the industry's rules they set prices in reasonable relationship to costs and hey favor a health industry. Bad competitors try to buy share rather then earn it, they take large risks they invest in overcapacity and they upset industrial equilibrium. A company may find necessary to attack its bad competitors to reduce or end their dysfunctional practices.

COMPETATIVE STRATEGY

A company can gain further insight by classifying its competitor and itself according to role in the target market: **leader, challenger, follower, or nicher.** On the basis of this classification, the company can take specific action in line with its current and desired roles.
Marketing Leader Strategy:

Most industries contain an acknowledged market leader. The leader has the largest market share and usually leads the other firms in price changes, new-product introduction, distribution coverage, and promotion spending. The leader may or may not be admired or respected, but other firms concede its dominance. Competitors focus on the leader as a company to challenge, imitate or avoid. Some of the best known market leaders are the Future group (retailing), Microsoft (computer software), etc.

To remain number one, leading firms can take any three actions. First, they can find ways to expand total demand. Second, they can protect their current market share through good defensive and offensive actions. Third, they can try to expand their market share further, even if market size remains constant.

Market Challenger Strategies:

Many market challengers have gained ground or even overtaken the leader. A market challenger must first define its strategic objective ; most aim to increase market share. Then the challenger must decide whom to attack. Attacking the leader is a high-risk but potentially high-payoff strategy if the leader isn't serving the market well. The challenger can attack firms of its own size that are underperforming and underfinanced, have aging products, charge excessive prices, or aren't satisfying customers in other ways. Or it can attack small local and regional firms.

Market Follower Strategy:

Following is not the same as being passive or a carbon copy of the leaders. A market follower must know how to hold current customers and win fair shares of new ones. It must find the right balance between following closely enough to win customers from the market leader but following at enough of a distance to avoid relation. Each follower tries to bring distinctive advantages to its target market-location, services, financing. The follower is often a major target of attack by challenger. Therefore, the market follower must keep its manufacturing costs and prices low or its product quality and services high. It must also enter new market as they open up.

Market- Nicher Strategies:

An alternative to being a follower in a large market is to be a leader in a small market or niche. Small firms normally avoid competing with large firms by targeting small markets of little or no interest to the large firms. Even large, profitable firms are now setting up business units or brand for specific niches. The key idea in nichemanship is specialization. Because niche can weaken, the firm must continually create new niches, expand niches, and protect its niches. By developing strength in two or more niches, the company increases its chances for survival.

Porter's Generic Competitive Strategies
(ways of competing)

A firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. There are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus. The focus strategy has two variants, cost focus and differentiation focus.

Cost Leadership

In cost leadership, a firm sets out to become the low cost producer in its industry. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. A low cost producer must find and exploit all sources of cost advantage. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average.

Differentiation

In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. It is rewarded for its uniqueness with a premium price.

Focus

The generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others.

The focus strategy has two variants.

(a) In cost focus a firm seeks a cost advantage in its target segment, while in

(b) Differentiation focus a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between a focuser's target segment and other segments in the industry. The target segments must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments. Cost focus exploits differences in cost behaviour in some segments, while differentiation focus exploits the special needs of buyers in certain segments.

Level of market segmentation, basis of segmentation business and consumer markets, market targeting, positioning and positioning strategies

Ms. Mamata Desai

Mr. Kishor Ghantani

Mr. Vishal Hoskatta

(MBA Semester 1, Batch of 2011-13)

Levels of Market Segmentation

The starting point for segmentation is mass marketing. In mass marketing, the seller engages in the mass production, mass distribution, and mass promotion of one product for all buyers. Some claims that mass marketing is dying. Most companies are turning to micro marketing at one of four levels: segments, niches, local areas and individuals.

Segment Marketing

A market segment consists of a group of customers who share a similar set of needs and wants. Rather than creating the segments, the marketer's task is to identify them and decide which one(s) to target. The company can often better design, price, disclose and deliver the product or service and also can fine-tune the marketing program and activities to better reflect competitors marketing. e.g.:- automobile companies in India offer different versions of the same model with different features

Niche Marketing

A niche is more narrowly defined customer group seeking a distinctive mix of benefits. Marketers usually identify niches by dividing a segment into sub segments. e.g.:- EZEE the liquid detergent from Godrej

Local Marketing

Local marketing reflects a growing trend called *grassroots marketing*. Marketing activities concentrate on getting as close and personally relevant to individual customers as possible. e.g.:- Much Nike's initial success comes from engaging target consumers through grassroots marketing such as sponsorship of local school terms, expert conducted clinics and provision of shoes, clothing and equipment.

Individual Marketing

The ultimate level of segmentation leads to segments of one "Customized marketing" or "one-to-one marketing". Customization combines operationally driven mass customization with customized marketing in a way that empowers consumers to design the product and service offering of their choice. A company is costomerized when it is able to respond to individual customersby customizing its products, services and messages on one-to-one basis. e.g.:- Galleria credit card, offered by united bank limited, Pakistan.

Bases For Segmenting Consumer Markets

Some researchers try to define segments by looking at descriptive characteristics: Geographic, Demographic and Psychographic. Then they examine whether these customer segments exhibit different needs or product responses.

Geographic Segmentation

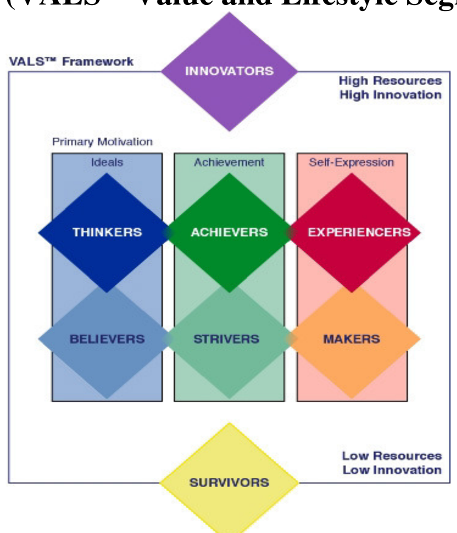
Geographic segmentation calls for division of market into different geographical units such as Nations, states, regions, countries, cities or neighborhoods. e.g Region, City, Rural and semi unban

Demographic Segmentation

In demographic segmentation, we divide the market into groups on the basis of variables such as age, family size, family life cycle, gender, income, occupation, education, religion, race, generation, nationality and social class.

- **Age and Life cycle stage:** Consumer wants and abilities to change with age. Therefore, age and life cycle stages are important variables to define segments e.g.:- Johnson & Johnson's baby soap
- **Life stage:** It defines a person's major concern, such as getting married, deciding to buy home, planning for retirement so on.
- **Gender:** Men and women have different attitudes and behave differently, based partly on genetic makeup and partly on socialization. e.g.:- women tend to be more communal minded and men tend to be more self-expressive and goal directed.
- **Income:** Income determines the ability of consumers to participate in the market exchange and hence this is a basic segmentation variable.
- **Generation:** Each generation is profoundly influenced by the times in which it grows up- the music, movies, politics and defining events of that period.
- **Social class:** Social class has a strong influence on preferences in cars, clothing, reading habits and retailers. The concept of social class in India is influenced by the caste system.

Psychographic Segmentation (VALS – Value and Lifestyle Segment)



In Psychographic segmentation, buyers are divided into different groups on the basis of psychological/ personal traits, life styles, or values.
The four groups with higher resources

- **Innovators**- successful, sophisticated, active, "take-charge" people with high self-esteem.
- **Thinkers-** mature, satisfied, and reflective people who motivated by ideals and who value order, knowledge, and responsibility.
- **Achievers-** Successful, goal oriented people who focus on career and family.
- **Experiencers**- Young, enthusiastic, impulsive people who seek variety and excitement.

The four groups with lower resources

- Believers- Conservative, conventional, and traditional people with concentrate beliefs.
- Strivers- Trendy and fun-loving people who are resource constrained.

- Makers- Practical, down-to-earth, self-sufficient people who like to work with their hands.
- Survivors- Elderly, passive people who are concerned about change.

Behavioral Segmentation

In behavioral segmentation, marketers divide buyers into groups on the basis of their knowledge of, attitude toward, use of, or response to a product.

- **Decision Roles**- people play five roles in a buying decision: initiator, influencer, decider, buyer, and user.
- **Behavioral variables**
    - **Occasions**- greeting card brands such as Archies and Hallmark make cards for different occasions.
    - **Benefits**- Targeted at people who seek different sets of benefits.
    - **User status-** every product has its nonuser, ex-user, potential user, first time user and regular user.
    - **Usage rate**- markets can be segmented into light, medium, and heavy product users.
    - **Buyers-** readiness stage- some people are unaware of the product, some are aware, some are informed, some are interested, some desire the product, and some intend to buy.
    - **Loyalty status**
        - Hard core loyals- consumers who buy only one brand all the time
        - Split loyals- consumers who are loyal to two or three brands
        - Shifting loyals- consumers who shift loyalty from one brand to another.
        - Switchers- consumers who show no loyalty to any brand.
    - Attitude- five attitudes about products are: enthusiastic, positive, indifferent, negative, and hostile.

Bases for Segmenting Business Markets

Demographics

- Industry
- Company size
- Location

Operating variables

- Technology
- User or nonuser status
- Customer capabilities

Purchasing approaches

- Purchasing-function
- Power structure
- Nature of existing relationship
- General purchasing policies
- Purchasing criteria

Situational factors

- Urgency

- Specific application
- Size order

Personal characteristics

- Buyer-seller similarity
- Attitude towards risk
- Loyalty

Market Targeting

There are many statistical techniques for developing market segments. Once the firm has identified its market segments opportunities, it must decide how many and which ones to target.

Effective segmenting criteria

- **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.
- **Accessible:**The segments can be effectively reached and sevred
- **Differentiable:**The segments are conceptually distinguishable and respond differently to different marketing-mix elements and program
- **Actionable:**Effective program can be formulated for attracting and serving the segments

Steps involved in segmentation process

- Single segment concentration
- Selective specialization
- Product specialization
- Market specialization
- Full market coverage

POSITIONING & POSITIONING STRATEGY

Product Position And Positioning Of A Product

"The way the product is defined by consumers on important attributes- the place the product occupies in consumers' minds relative to competing products" is called as the product position".
Eg.1.Dalda positioned as a demonstration of "maternal love".
The act of designing the company's offering and image to occupy a distinctive place in the mind of target market is called as the positioning of a product.

Positioning Is Required

As a marketer, it is your opportunity to influence the market's perception of your products.

- Clear and meaningful product positioning also helps you cut through relentless advertising and marketing noise of the market place, in your consumers mind, product positioning gives your message some context so they can be better heard and accepted.

- Failure to proactively address positioning is unlikely to end well with or without your input, customer will position your product-probably based on information from your competitors, which will not flatter you.

Positioning Characteristics or Objectives

To be successful, product positioning must achieve three objectives

- Differentiate your product from competitions.
- Address important customer buying criteria.
- Articulate key product or company characteristics.

Value Proposition and Positioning Statement

It is defined as the 'the full positioning of a brand – the full mix of benefits upon which it is positioned'.eg. Domino's pizza- A good hot pizza, deliver to your door within 30 mins for ordering atmoderate price. A statement that summarizes company or brand positioning.

Positioning Strategies.

The following is a list of some established product positioning strategies.

- **Against a Competitor:** Positioning your product directly against a competitor's typically requires a specific product superiority claim.
- **Away from a Competitor:** Positioning yourself as the opposite of your competitor can help you get attention in a market dominated by some other product.e.g.7-UP calling itself the Uncola.
- **Benefits:** This strategy focuses on a benefit your product provides to your target audience. e.g.Volvo's emphasis on safety and Crest toothpaste's focus on reducing cavities.
- **Product Attributes:** Highlighting a specific attribute of your product can also be compelling. e.g. Ritz Carlton hotels focus on luxury; Motel 6 focuses on economy.
- **Product Categories:** Comparing your product to a product in a different category can be an effective way to differentiate yourself.e.g. In a soap-compares-itself-to-lotion example, Palmolive dishwashing liquid claims that it softens your hands while you do the dishes.
- **Usage Occasions:** This kind of positioning stresses when or how your product is used by your target audience. E.g. Jeep's focus on off-road driving is an excellent example.
- **Users:** Focusing on the unique characteristics of specific users can also be effective. e.g. For Dummies series of instruction books are attractive to people who want to learn about a topic from a source that doesn't assume any prior knowledge on the reader's part.

Product Life cycle strategies,

New Product Development

Mr. Rajesh Gujer

Ms. Smita Patil

Mr. Sanket Thabas

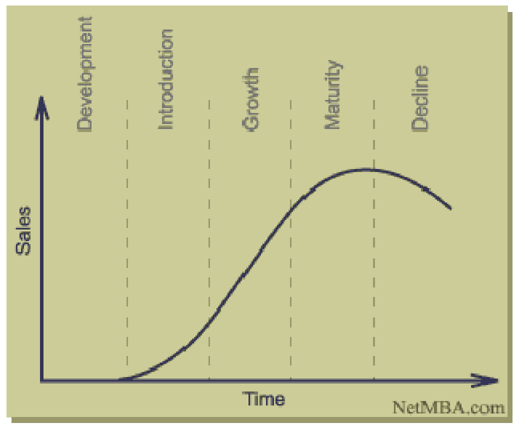
Mr. Sachin Patil

(MBA Semester 1, Batch of 2011-13)

Product Life Cycle

A product's life cycle (PLC) can be divided into several stages characterized by the revenue generated by the product. If a curve is drawn showing product revenue over time, it may take one of many different shapes, an example of which is shown below:

Product Life Cycle Curve



The life cycle concept may apply to a brand or to a category of product. Its duration may be as short as a few months for a fad item or a century or more for product categories such as the gasoline-powered automobile.

Product development is the incubation stage of the product life cycle. There are no sales and the firm prepares to introduce the product. As the product progresses through its life cycle, changes in the marketing mix usually are required in order to adjust to the evolving challenges and opportunities.

Introduction Stage

When the product is introduced, sales will be low until customers become aware of the product and its benefits. During the introductory stage the firm is likely to incur additional costs associated with the initial distribution of the product. These higher costs coupled with a low sales volume usually make the introduction stage a period of negative profits. During the introduction stage, the primary goal is to establish a market and build primary demand for the product class.

Marketing Strategies for Introduction Stage are

- **Product -** one or few products, relatively undifferentiated
- **Price -** Generally high, assuming a skim pricing strategy for a high profit margin as the early adopters buy the product and the firm seeks to recoup development costs quickly. In some cases a penetration pricing strategy is used and introductory prices are set low to gain market share rapidly.
- **Distribution -** Distribution is selective and scattered as the firm commences implementation of the distribution plan.
- **Promotion -** Promotion is aimed at building brand awareness. Samples or trial incentives may be directed toward early adopters. The introductory promotion also is intended to convince potential resellers to carry the product.

Growth Stage

The growth stage is a period of rapid revenue growth. Sales increase as more customers become aware of the product and its benefits and additional market segments are targeted. Once the product has been proven a success and customers begin asking for it, sales will increase further as more retailers become interested in carrying it. The marketing team may expand the distribution at this point. When competitors enter the market, often during the later part of the growth stage, there may be price competition and/or increased promotional costs in order to convince consumers that the firm's product is better than that of the competition. During the growth stage, the goal is to gain consumer preference and increase sales. The **marketing strategy may be modified as follows**:

- **Product -** New product features and packaging options; improvement of product quality.
- **Price** - Maintained at a high level if demand is high, or reduced to capture additional customers.
- **Distribution** - Distribution becomes more intensive. Trade discounts are minimal if resellers show a strong interest in the product.
- **Promotion** - Increased advertising to build brand preference.

Maturity Stage

The maturity stage is the most profitable. While sales continue to increase into this stage, they do so at a slower pace. Because brand awareness is strong, advertising expenditures will be reduced. Competition may result in decreased market share and/or prices. The firm places effort into encouraging competitors' customers to switch, increasing usage per customer, and converting non-users into customers. Sales promotions may be offered to encourage retailers to give the product more shelf space over competing products. During the maturity stage, the primary goal is to maintain market share and extend the product life cycle. Marketing mix decisions may include:

- **Product** - Modifications are made and features are added in order to differentiate the product from competing products that may have been introduced.
- **Price** - Possible price reductions in response to competition while avoiding a price war.
- **Distribution** - New distribution channels and incentives to resellers in order to avoid losing shelf space.
- **Promotion** - Emphasis on differentiation and building of brand loyalty. Incentives to get competitors' customers to switch.

Decline Stage

Eventually sales begin to decline as the market becomes saturated, the product becomes technologically obsolete, or customer tastes change. If the product has developed brand loyalty, the profitability may be maintained longer. Unit costs may increase with the declining production volumes and eventually no more profit can be made.

During the decline phase, the firm generally has three options:

- Maintain the product in hopes that competitors will exit. Reduce costs and find new uses
- Harvest it, reducing marketing support.
- Discontinue the product when no more profit can be made or there is a successor product.

The marketing Strategy may be modified as follows:

- **Product** - The number of products in the product line may be reduced. Rejuvenate surviving products to make them look new again.
- **Price** - Prices may be lowered to liquidate inventory of discontinued products. Prices may be maintained for continued products serving a niche market.

- **Distribution** - Distribution becomes more selective. Channels that no longer are profitable are phased out.
- **Promotion** - Expenditures are lower and aimed at reinforcing the brand image for continued products.

Limitations of the Product Life Cycle Concept:-

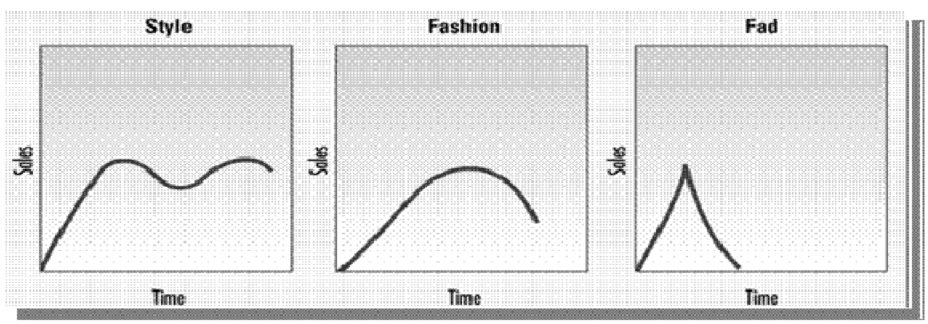
The term "life cycle" implies a well-defined life cycle as observed in living organisms, but products do not have such a predictable life and the specific life cycle curves followed by different products vary substantially. Consequently, the life cycle concept is not well-suited for the forecasting of product sales.

Nonetheless, the product life cycle concept helps marketing managers to plan alternate marketing strategies to address the challenges that their products are likely to face. It also is useful for monitoring sales results over time and comparing them to those of products having a similar life cycle.

Style, Fashion, and Fad life cycles

Three special categories of product life cycles should be distinguished—styles, fashions, and fads.

Style: A Style is a basic and distinctive mode of expression appearing in a field of human endeavor. Styles appear in homes (colonial, ranch, Cape Cod); clothing (formal, casual, funky); and art (realistic, surrealistic, abstract). A style can last for generations, and go in and out of vogue.



Fashion: A fashion is a currently accepted or popular style in a given field. Fashions pass through four stages: distinctiveness, emulation, mass-fashion, and decline. The length of a fashion cycle is hard to predict. William Reynolds suggests that the length of a particular fashion cycle depends on the extent to which the fashion meets a genuine need, is consistent with other trends in the society, satisfies societal norms and values, and does not exceed technological limits as it develops.

Fads: Fads are fashions that come quickly into public view, are adopted with great zeal, peak early, and decline very fast. Their acceptance cycle is short, and they tend to attract only a limited following of those who are searching for excitement or want to distinguish themselves from others. They often have a novel or capricious aspect, such as body piercing and tattooing. Fads do not survive because they do not normally satisfy a strong need. The marketing winners are those who recognize fads early and leverage them into products with staying power. Here is a success story of a company that managed to extend a fad's life span.

New product development

Ways to create new product are:

- Acquisition : It has 3 forms such as;
  - Buying other companies
  - Acquiring patents from companies
  - Buying of license of companies or franchisee
- Organic growth: It means development of new products from within the company.

Types of new products

1. New to the World : New product which is entirely new to the market.
2. New product line : New products that allow the companies to enter established market for the first time.
3. Addition to existing product line : New products that contribute to the existing product line introduced to the market with slight variations in size, fragrance, colour etc. e.g. New Lux, Die coke etc.
4. Improved and revision of existing products : the new products that provide improved performance or greater perceived value and replace the exiting one. e.g. Toyota Innova replaces the Qualis, New Horlicks.
5. Repositioning : Existing products that are targeted to the new markets or market segments. e.g. Tata Sumo and Tata Victa.
6. Cost reduction : New products that provide similar performance with reduced price e.g. Honda city, New wheel economy pack

Reasons for Product Failure

1. A high level executive pushes a favorite idea through in spite of the negative market research findings. e.g. Reynolds smoke free cigarettes.
2. Idea is good but market size is overestimated. e.g. Levi's Jean in India.
3. The product is not well designed. e.g. Cibaca Lime in 1991.
4. Development cost are higher.
5. Competitors fight back harder than expected.
6. Shortage of important ideas in certain areas in which very few ways are left to improve. e.g. Steel, Detergents.
7. Fragmented Market : Keen competition is leading the market fragmentation . Companies have to aim their new products at smaller segments and this means lower sales and lower profit margins.
8. Social and Governmental constraints : Safety and environmental rules and regulations like use of plastic less than 20 micron is banned or EURO III norms engines for the automobiles
9. Costliness of development prices : Higher R & D , manufacturing and marketing costs.
10. Capital Shortage : Sometimes can not raise the funds needed to research and launch the products.
11. Shorter product life cycle.

New Product Development Process

- **Stage 1: Idea Generation** – The development process starts with idea generation and search for the ideas. Ideas can come from many sources like customers, suppliers, scientists, competitors, employees, channel members and top management etc. Stimuli is required for the idea generation the most important stimulus can be need or want. e.g. Nirlep non stick cookware (requirement of quickly heated less oil consumption pan or cookware.
- **Stage 2**: **Idea Screening -** this is nothing but sorting the ideas into three categories.
  - Promising ideas
  - Marginal ideas
  - Rejected ideas

  In this process care must taken to avoid the following errors
  - **A drop error** – It occurs when a good idea is dropped.
  - **A go error** – In this case a poor idea may move to the product development stage.
- **Stage 3: Concept Development and Testing –** Concept is an elaborated version of the idea expressed in meaningful consumer terms. Concept development – to elaborate this concept we will consider following example.e.g. A company gets the idea of producing a powder to add to the milk to increase its nutritional value and taste. This idea can be turned into several concepts by giving answers to the questions like who will use it?, what primary benefits should the product provide ? And when people will consume it ?
  - **Concept 1** – An instant breakfast drink for the adults who wants a quick nutritious breakfast without preparing breakfast.
  - **Concept 2** - A tasty snack drink for children to drink as midday refreshment .
  - **Concept 3** – a healthy supplement for older adults to drink before they go to bed.

  Each concept defines competition. The company should decide which the feasible one is.
  - It involves presenting the product concept to appropriate target consumer and getting their reaction. This is done symbolically or physically. Small plastic models or virtual reality to test the concepts. This is carried out using focus group interviews or surveys.
  - Elaboration of our product for the survey.
    Our product is a powdered mixture that is added to milk to make an instant breakfast that gives the person all the needed nutrition along with good taste and high convenience. The product would be offered in three flavors (Chocolate, Vanilla, strawberry) and would come in individual packets, six in box at Rs. 18 per box.
  - Consumer will respond following questions after reviewing the above information.
    - Are benefits clear to you and believable?
    - Do you see this product solving a problem or filling a need you have?
    - Do other products currently meet this need and satisfy you?
    - Is price reasonable in relation to value?
    - Would you buy the product?
    - Who would use the product?
    - When and how often will the product be used?

- **Conjoint Analysis –**
  A method for deriving the utility values that consumer attach to varying levels of the product attributes. Attributes like package design, prices, brand name. In this method relative importance of each attribute to the consumer is studied.

Stage 4: Marketing Strategy Development

- Top management must develop a preliminary marketing strategy plan for introducing the new product into market.
- The plan consists of three parts.
- Target market size, structure and behavior – e.g. the company will aim initially to sell 500,000 cases with loss not exceeding Rs. 25 lacs, second year 700,000 cases with planned profits of Rs. 10 lacs.
- Second part outlines the planned price, distribution strategy and marketing budget. e.g. Six packets to a box and 48 boxes to a case., for 1st two months dealers will be offered 1 free case for every four cases purchase, coupon for 10 % off will appear in newspapers etc., ad. Expenses
- Third part describes the long term sales and profit goals e.g. market share for 1st year and subsequent years.

Stage 5: Business Analysis

- To study the proposal's business attractiveness, for that they prepare sales, cost profit projections to determine whether they satisfy company objectives. If they do the concept can move to the product development stage.
- Estimating total sales – Total estimated sales are the sum estimated 1st time sales, replacement sales and repeat sales. It depends upon whether the product is one time purchase , infrequent purchase or frequently purchased.

Stage 6: Product Development

- In this stage detailed technical analysis is conducted to know whether the product can be produced at costs. Working model is developed which reveals tangible and intangible attributes of the products . It is job of translating customer requirement into working prototype. Developing and manufacturing a successful prototype can take days, weeks, months and even years.
- This stage involves following functions.

1. Developing attributes of the new products.
2. Product development schedule.
3. Legal and regulatory issues regarding the new product.
4. Production requirement for developing the new product.

Stage 7: Product Use Testing

- After prototype is ready they must be put through rigorous functional tests and customer tests. It is done using techniques like Alpha testing, Beta testing, and Gamma testing.
- Product testing helps in

1. Comparing new products with existing ones.
2. Knowing performance safety, acceptability of features like colours, size, weights etc.
3. Ensuring that the product perceived as intended.
4. Finding out how customers uses the products
5. Customers preferences
6. Reasons for dissatisfaction.