STUDY MATERIAL FOR BBA

MARKETING MANAGEMENT

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UNIT-I

INTRODUCTION

1.1 Nature Scope and Importance of Marketing

Nature

Is marketing based on a scientific method of inquiry, or is it essentially about an artistic process of creativity? Studies of marketing using the scientific frameworks of the natural sciences have found favour with followers of the positivist approach. This holds that, from observations of the real world, it is possible to deduce models that are of general applicability. On this basis, models have been developed to predict consumer behaviour, the profitability of retail locations, and price–volume relationships, among many other phenomena. The great merit of the scientific approach is its claim to great objectivity, in that patterns and trends can be identified with greater confidence than if they were based on casual observation. Many marketers have appreciated the value of this scientific approach. Most major retailers rely heavily on models of retail location before deciding where to locate their next outlet. Armed with trading statistics from their existing network of stores and background information about their locations (e.g. the number of people living within 20 minutes' driving time, passing vehicle traffic per day, proximity to competitors, etc.), a regression model can be developed which shows the significance of each specified factor in explaining sales success. To many people, marketing has no credibility if it doesnot adopt a rigorous, scientific method of inquiry. This method of inquiry implies that research should be carried out in a systematic manner and results should be replicable: a model of buyer behaviour should be able repeatedly to predict consumers 'actions correctly, based on a sound collection of data and analysis. In the scientific approach, data are assessed using tests of significance and models are accepted or rejected accordingly.

Marketing cannot possibly copy the natural sciences in its methodologies. Positivist approaches have been accused of seeking meaning from quantitative data in a very subjective manner which is at variance with scientific principles (Brown, 1995). Experimental research in the natural sciences generally involves

closed systems in which the researcher can hold all extraneous variables constant, thereby isolating the effects of changes in a variable that is of interest. For social sciences, experimental frameworks generally consist of complex social systems over which the researcher has no control: a researcher investigating the effects of a price change in a product on demand from customers cannot realistically hold constant all factors other than price. Indeed, it may be difficult to identify just what the _other factors 'are that should be controlled for in an experiment, but they may typically include the price of competitors 'products, consumer confidence levels, the effects of media reports about that product category, and changes in consumer fashions and Tastes, to name some of the more obvious. Contrast this with a physicist's laboratory experiment, where heat, light, humidity, pressure, and most other extraneous variables can be controlled, and the limitations of the scientific methodology in the social sciences become apparent. Marketers are essentially dealing with _open 'systems, in contrast to the _closed 'systems that are more typical of the natural sciences. Post-positivists place greater emphasis on exploring in depth the meaning of individual case studies than on seeking objectivity and reliability through large sample sizes. Many would argue that such inductive approaches are much more customer focused, in that they allow marketers to see the world from consumers 'overall perspective, rather than through the mediating device of a series of isolated indicators. Post-positivist approaches to marketing hold that the real 'truth will never emerge in a research framework that is constrained by the need to operationalize variables in a watertight manner. In real–life marketing, the world cannot be divided into clearly defined variables that are capable of objective measurement. Constructs such as consumers 'attitudes and motivation may be very difficult to measure and model objectively. Furthermore, it is often the interaction between various phenomena that is of interest to researchers, and it can be very difficult to develop models that correspond to respondents 'holistic perceptions of the world. There is another argument against the scientific approach to marketing, which sees the process as essentially backward-looking. The scientific approach is relatively good at making sense of historic trends, but less good at predicting what will happen following periods of turbulent change. Creativity combined with a scientific approach can be essential for innovation. The scientific approach to marketing planning has a tendency to minimize risks, yet many major business successes have been based on entrepreneurs using their own judgment, in preference to that of their professional advisers. Marketing has

to be seen as a combination of art and science. Treating it excessively as an art can lead to decisions that are not sufficiently rigorous. Emphasizing the scientific approach can lead a company to lose sight of the holistic perceptions of its customers. Successful firms seek to use scientific and creative approaches in a complementary manner.

Scope:

The scope of marketing can be understood in terms of functions that an entrepreneur has to perform. These include the following:

- **Functions of exchange**
  Which include buying and assembling and selling?
- **Functions of physical supply:**
  Include transportation, storage and warehousing
- **Functions of facilitation:**
  Product Planning and Development, Marketing Research, Standardisation, Grading, Packaging, Branding, Sales Promotion, Financing.

Importance:

Since marketing is consumer oriented, it has a positive impact on the business firms. It enables the entrepreneurs to improve the quality of their goods and services. Marketing helps in improving the standard of living of the people by offering a wide variety of goods and services with freedom of choice, and by treating the customer as the most important person. Marketing generates employment both in production and in distribution areas. Since a business firm generates revenue and earns profits by carrying out marketing functions, it will engage in exploiting more and more economic resources of the country to earn more profits. A large scale business can have its own formal marketing network, media campaigns, and sales force, but a small unit may have to depend totally on personal efforts and resources, making it informal and flexible. Marketing makes or breaks a small enterprise. An enterprise grows, stagnates, or perishes with the success or failure, as the case may be, of marketing.

1.2 Functions

Marketing functions are the foundation for the work that marketing professionals do. Each function comprises a set of responsibilities and tasks for a

marketing team to design, organize and execute a successful campaign. There are seven widely accepted marketing functions that contribute to the overall work of marketers. These functions are:

- Promotion
- Selling
- Product management
- Pricing
- Marketing information management
- Financing
- Distribution

The seven marketing functions are important since each of them represents a category of activities that occurs in marketing. The goal of marketing is to promote and sell products in a competitive marketplace, and referring to the seven marketing functions often while developing a campaign allows marketing teams to remain focused on their goals.

The seven marketing functions are important for understanding the purpose of marketing strategies, processes and tools. These functions work cohesively to help professionals develop consistent marketing strategies for several types of brands and organizations. Here are the seven marketing functions, along with their benefits for marketing professionals:

1. Promotion

Promotion fosters brand awareness while educating target audiences on a brand's products or services. It emphasizes introducing potential consumers to your brand. This function of marketing varies in form, and marketing professionals tailor each form to relate to a particular product, brand or target audience. Promotion may include any of the following strategies:

- Email marketing
- Social media advertisements
- Public relations
- Digital or print advertising
- Content marketing
- Brand partnerships
- Influencer marketing

- Events

Each of these methods attempts to generate conversation and excitement about a product or service. However, the promotion itself often requires the support of other marketing functions to be successful.

2. Selling

Selling is a function of marketing that comprises communicating with potential customers and pursuing sales leads. It's important for marketing professionals to pursue sales leads with subtlety, which helps them build relationships with potential customers. As communication with a potential customer progresses, successful marketers may introduce their product and answer questions customers may have. Effective selling techniques can help you distinguish your brand from competitors. Marketers and salespeople may collaborate to determine how to best position their product within their market and sell it to potential customers.

3. Product management

Product management includes the development, design and improvement of products or services. The role of a marketer in product management is to ensure that a finished product meets customer needs. This includes examining the overall visual of the product, its usefulness and how it's delivered. Some product management strategies include:

- **Analyzing competitors:**
  Researching and analysing your competitors equips you with information to develop a product that rivals or surpasses theirs.
- **Communicating with customers:**
  This strategy provides helpful insight into ways to improve your products before they reach the market.
- **Implementing feedback:**
  It's important for marketing professionals to gather feedback from several areas—both inside and outside their organization—to improve their production processes.
- **Conducting market research:**
  Researching similar products helps a marketing team determine what customers want and how to satisfy them.

- **Coordinating with other departments:**
  Collaborating with other teams in your organization prepares your entire company to release a product, generate ideas for distribution and deliver products seamlessly.

4. Pricing

Establishing a price for a product incorporates several factors of cost and value. Ideally, marketers find a price between customers' perceptions of a product's value and the actual cost of producing it. Other factors include the price your competitors set and the amount customers might pay for your product. Marketing professionals consider these elements when deciding how to price a particular product or service.

It can be challenging to determine a price for your product, but using in-depth market research can help you make an informed decision. Whatever price you choose for your product, it's important for your promotions and branding to match its price. For example, if you sell a handbag for $1,000, you might market it as a luxury item. This emphasizes your product's value, which could convince customers to purchase your item.

5. Marketing information management

You can optimize your marketing strategies when you focus on data and information. It's important to collect and store data, such as customer preferences and demographics. Often, this data directly relates to your target audience for your products and services. This also can inform effective business decisions for the entire company, so consider sharing your data and findings with other departments, as well.

You can gather relevant information from various marketing tools, such as:

- Surveys
- Online reviews
- Social media engagements
- Market research reports

Each marketing tool provides unique data and feedback, so choosing the right one depends on your specific needs. For example, if your team wants to

measure the effectiveness of your last social media campaign, you could research the number of followers that your brand's accounts gained during the campaign. This can help you determine whether your efforts succeeded in increasing social media engagement.

6. Financing

Financing is a marketing function that involves securing funding–either internally or externally–to create marketing campaigns. It's important for marketing teams to secure enough availability in their annual budget to improve previous marketing campaigns and remain updated with industry trends.

A marketing team can demonstrate its added value to its company if revenue continues to increase due to high-quality marketing campaigns. This upward trajectory might also allow that team to secure future funding, as they can demonstrate a quantifiable positive return on their investment.

7. Distribution

Distribution is the process of transporting your company's products or services to your customers. There are several physical and digital methods of distribution, including:

- Online stores
- Catalos or magazines
- Sales calls
- Retail stores
- Wholesalers

Marketers often choose the channel of distribution that best fits a particular product, brand or target audience. It's important to choose a location to sell your product that your target audience often visits. Distribution is a function of marketing that requires collaboration across departments to ensure that each product reaches your consumers in its intended fashion.

1.3 Marketing environment

The marketing environment refers to all internal and external factors, which directly or indirectly influence the organization's decisions related to marketing activities. Internal factors are within the control of an organization; whereas, external factors do not fall within its control. The external factors

include government, technological, economical, social, and competitive forces; whereas, organization's strengths, weaknesses, and competencies form the part of internal factors. Marketers try to predict the changes, which might take place in future, by monitoring the marketing environment. These changes may create threats and opportunities for the business. With these changes, marketers continue to modify their strategies and plans.

1.4 Factors influencing Marketing Environment

Types of Marketing Environment:

The sale of an organization depends on its marketing activities, which in turn depends on the marketing environment. The marketing environment consists of forces that are beyond the control of an organization but influences its marketing activities. The marketing environment is dynamic in nature. Therefore, an organization needs to keep itself updated to modify its marketing activities as per the requirement of the marketing environment. Any change in marketing environment brings threats and opportunities for the organization. An analysis of these changes is essential for the survival of the organization in the long run. A marketing environment mostly comprises of the following types of environment:

- Micro Environment
- Macro Environment

The discussion of these environments are given below:

1. Micro Environment:

Micro environment refers to the environment, which is closely linked to the organization, and directly affects organizational activities. It can be divided into supply side and demand side environment. Supply side environment includes the suppliers, marketing intermediaries, and competitors who offer raw materials or supply products. On the other hand, demand side environment includes customers who consume products. Let us discuss the micro environment forces in the following points:

i.Suppliers: It provides raw material to produce goods and services. Suppliers can influence the profit of an organization because the price of raw material determines the final price of the product. Organizations need to monitor

suppliers on a regular basis to know the supply shortages and change in the price of inputs.

ii. Marketing Intermediaries: It helps organizations in establishing a link with customers. They help in promoting, selling, and distributing products. Marketing intermediaries include the following:

- **Resellers:**
  It purchases the products from the organizations and sell to the customers. Examples of resellers are wholesalers and retailers.

- **Distribution Centers:**
  It helps organizations to store the goods. A warehouse is an example of distribution center.

- **Marketing Agencies:**
  It promotes the organization's products by making the customers aware about benefits of products. An advertising agency is an example of marketing agency.

- **Financial Intermediaries:**
  It provides finance for the business transactions. Examples of financial intermediaries are banks, credit organizations, and insurance organizations.

iii. Customers: Customers buy the product of the organization for final consumption. The main goal of an organization is customer satisfaction. The organization undertakes the research and development activities to analyze the needs of customers and manufacture products according to those needs. iv. Competitors: It helps an organization to differentiate its product to maintain position in the market. Competition refers to a situation where various organizations offer similar products and try to gain market share by adopting different marketing strategies.

2. Macro Environment:

Macro environment involves a set of environmental factors that is beyond the control of an organization. These factors influence the organizational activities to a significant extent. Macro environment is subject to constant change. The changes in macro environment bring opportunities and threats in an organization. Let us discuss these factors in details:

i. **Demographic Environment:** Demographic environment is the scientific study of human population in terms of elements, such as age, gender, education, occupation, income, and location. It also includes the increasing role of women and technology. These elements are also called as demographic variables. Before marketing a product, a marketer collects the information to find the suitable market for the product. Demographic environment is responsible for the variation in the tastes and preferences and buying patterns of individuals. The changes in demographic environment persuade an organization to modify marketing strategies to address the altering needs of customers.

ii. **Economic Environment:** Economic environment affects the organization's costs structure and customers' purchasing power. The purchasing power of a customer depends on the current income, prices of the product, savings, and credit availability. The factors economic environment is as follows:

- **Inflation:**
  It influences the customers' demand for different products. For example, higher petrol prices lead to a fall in demand for cars.

- **Interest Rates:**
  It determines the borrowing activities of the organization. For example, increase in interest rates for loan may lead organizations to cut their important activities.

- **Unemployment:**
  It leads to a no income state, which affects the purchasing power of an individual.

- **Customer Income:**
  It regulates the buying behaviour of a customer. The change in the customer's income leads to changed spending patterns for the products, such as food and clothing.

- **Monetary and Fiscal Policy:**
  It affects all the organizations. The monetary policy stabilizes the economy by controlling the interest rates and money supply in an economy; whereas, fiscal policy regulates the government spending in various areas by collecting the revenue from the citizens by taxing their income.

iii. **Natural Environment:** Natural environment consists of natural resources, which are needed as raw materials to manufacture products by the

organization. The marketing activities affect these natural resources, such as depletion of ozone layer due to the use of chemicals. The corrosion of the natural environment is increasing day-by-day and is becoming a global problem. Following natural factors affect the marketing activities of an organization in a great way:

a) **Natural Resources:** It serves as raw material for manufacturing various products. Every organization consumes natural resources for the production of its products. Organizations are realizing the problem of depletion of resources and trying best to use these resources judiciously. Thus, some organizations have indulged in de-marketing their products. For example, Indian Oil Corporation (IOC) tries to reduce the demand for its products by promoting advertisements, such as Save Oil, Save India.

b) **Weather:** It leads to opportunities or threats for the organizations. For example, in summer, demand for water coolers, air conditioners, cotton clothes, and water increases while in winter, the demand for woolen clothes and room heaters rises. The marketing environment is greatly influenced by the weather conditions of a country.

c) **Pollution:** It includes air, water, and noise pollution, which lead to environmental degradation. Now-a-days, organizations tend to promote environment friendly products through its marketing activities. For example, the organizations promote the usage of jute and paper bags instead of plastic bags.

iv. **Socio-Cultural Environment:** Socio-cultural environment comprises forces, such as society's basic values, attitudes, perception, and behavior. These forces help in determining that what type of products customers prefer, what influences the purchase attitude or decision, which brand they prefer, and at what time they buy the products. The socio-cultural environment explains the characteristics of the society in which the organization exists. The analysis of socio-cultural environment helps an organization in identifying the threats and opportunities in an organization. For example, the lifestyles of people are changing day-by-day. Now, the women are perceived as an active earning member of the family. If all the members of a family are working then the family has less time to spend for shopping. This has led to the development of shopping

malls and super markets, where individuals could get everything under one roof to save their time.

v. Technological Environment: Technology contributes to the economic growth of a country. It has become an indispensible part of our lives. Organizations that fail to track ongoing technological changes find it difficult to survive in today's competitive environment. Technology acts as a rapidly changing force, which creates new opportunities for the marketers to acquire the market share. Marketers with the help of technology can create and deliver products matching the life style of customers. Thus, marketers should observe the changing trends in technology.

1.5 Market Segmentation

Market segmentation is one of the most efficient tools for marketers to cater to their target group. It makes it easier for them to personalise their campaigns, focus on what's necessary, and group similar consumers to target them in an effective manner. The process is being practised by marketers since the late 1900s. Simple though it may be, it is of vital use to forming any marketingplan.

What Is Market Segmentation?

Market segmentation is a process of dividing the market of potential customers into smaller and more defined segments on the basis of certain shared characteristics like demographics, interests, needs, or location.

The member of these groups share similar characteristics and usually haveone or more than one aspect common among them which makes it easier for the marketer to craft marketing communication messages for the entire group.

There are many reasons as to why market segmentation is done. One of the major reasons marketers segment market is because they can create a custom marketing mix for each segment and cater them accordingly.

1.6 Need and basis of market segmentation Need:

Companies often deal with customers who belong to different age groups, have varied interests, and are motivated by different triggers.

Segmenting these potential customers into different groups –

► Makes it easier for the marketer to develop a different marketing mix for each customer segment which is more likely to bring results.

► Increases the results of the marketing efforts as each of the groups witness personalised marketing messages according to what stimulates them to do the task. Page 9 of 15

For example, a chips brand can launch a party pack for $15 in cities where teens are more likely to buy them for parties. Whereas, the same brand may launch small packs in the country-side where people don't spend a lot on chips.

Basis:

Segmenting is dividing a group into subgroups according to some set bases. These bases range from age, gender, etc. to psychographic factors like attitude, interest, values, etc.

Gender:

Gender is one of the most simple yet important bases of market segmentation. The interests, needs and wants of males and females differ at many levels. Thus, marketers focus on different marketing and communication strategies for both. This type of segmentation is usually seen in the case of cosmetics, clothing, and jewellery industry, etc.

Age Group:

Segmenting market according to the age group of the audience is a great strategy for personalized marketing. Most of the products in the market are not universal to be used by all the age groups. Hence, by segmenting the market according to the target age group, marketers create better marketing and communication strategies and get better conversion rates.

Income:

Income decides the purchasing power of the target audience. It is also one of the key factors to decide whether to market the product as a need, want or a luxury. Marketers usually segment the market into three different groups considering their income. These are

- ► High Income Group
- ► Mid Income Group
- ► Low Income Group

This division also varies according to the product, its use, and the area the business is operating in.

Place:

The place where the target audience lives affect the buying decision the most. A person living in the mountains will have less or no demand for ice cream than the person living in a desert.

Occupation:

Occupation, just like income, influences the purchase decision of the audience. A need for an entrepreneur might be a luxury for a government sector employee. There are even many products which cater to an audience engaged in a specific occupation.

Usage:

Product usage also acts as a segmenting basis. A user can be labelled as heavy, medium or light user of a product. The audience can also be segmented on the basis of their awareness of the product.

Lifestyle:

Other than physical factors, marketers also segment the market on the basis of lifestyle. Lifestyle includes subsets like marital status, interests, hobbies, religion, values, and other psychographic factors which affect the decision making of an individual.

1.7 Targeting and Positioning

Targeting:

Targeting is a follow on process from segmentation, and is the process of actually determining the select markets and planning the advertising media used to make the segment appealing. Targeting is a changing environment. Traditional targeting practices of advertising through print and other media sources, has made way for a social media presence, leading a much more 'web-connected' focus. Behavioural targeting is a product of this change, and focuses on the optimization of online advertising and data collection to send a message to potential segments. This process is based around the collection of 'cookies', small pieces of information collected by a consumer's browser and sold to businesses to identify potential segments to appeal to. For example, someone consistently accessing photography based searches is likely to have advertisements for camera sales appear, due to the cookie information they deliver showing an interest in this area. Whilst targeting a market, there are three different market coverage choices to consider – undifferentiated, differentiated and niche marketing. Choosing which targeting choice to pursue depends on the product or service being offered. Undifferentiated marketing is the best option to focus on the market as a whole and to promote products that have a wide target segment, whilst differentiated and niche marketing are more specialized and focus on smaller, more selective segments.

Positioning:

Positioning is the final stage in the 'STP' process and focuses on how the customer ultimately views your product or service in comparison to your competitors and is important in gaining a competitive advantage in the market. Therefore, customer perceptions have a huge impact on the brands positioning in the market. There are three types of positioning that are key in positioning the brand to a competitive advantage; these are functional positioning, symbolic positioning, and experiential positioning. Functional Positioning is focused on the aspects of the products or services that can fulfill consumers' needs or desires. Symbolic Positioning is based on the characteristics of the brand that fulfill customers' self-esteem. Experiential positioning is based around the characteristics of the brands that stimulate the sensory or emotional connection with the customers. A combination of the three is key to positioning the brand at

a competitive advantage to its immediate competition. Overall, positioning should provide better value than competitors and communicate this differentiation in an effective way to the consumer.

UNIT-II

CONSUMER BEHAVIOUR

Marketing is so much more than creating a catchy phrase or a jingle people will sing for days. Understanding consumer behaviour is a vital aspect of marketing. **Consumer behaviour** is the study of how people make decisions about what they buy, want, need, or act in regards to a product, service, or company. It is critical to understand consumer behaviour to know how potential customers will respond to a new product or service. It also helps companies identify opportunities that are not currently met.

A recent example of a change in consumer behaviour is the eating habits of consumers that dramatically increased the demand for gluten-free (GF) products. The companies that monitored the change in eating patterns of consumers created GF products to fill a void in the marketplace. However, many companies did not monitor consumer behaviour and were left behind in releasing GF products. Understanding consumer behaviour allowed the pro-active companies to increase their market share by anticipating the shift in consumer wants.

2.1 Factors influencing consumer behaviour

Consumer behaviour is influenced by many different factors. A marketer should try to understand the factors that influence consumer behaviour. Here are 5 major factors that influence consumer behaviour:
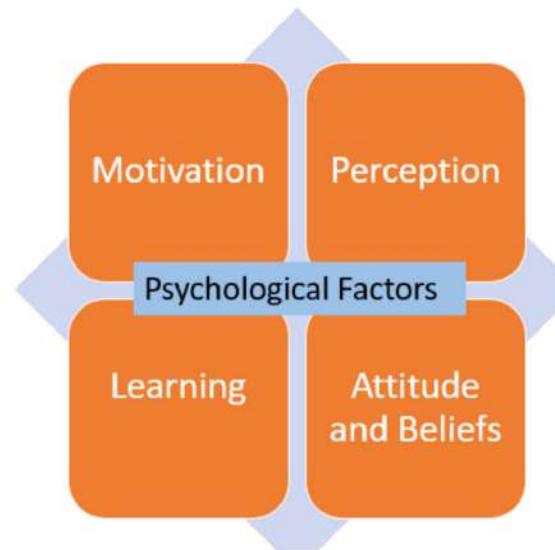
► **Psychological factors**
► **Social factors**
► **Cultural factors**
► **Personal factors**
► **Economic factors**

1. Psychological Factors:

Human psychology is a major determinant of consumer behaviour. These factors are difficult to measure but are powerful enough to influence a buying decision.

Some of the important psychological factors are:

i. Motivation

When a person is motivated enough, it influences the buying behaviour of the person. A person has many needs such as social needs, basic needs, security needs, esteem needs, and self-actualization needs. Out of all these needs, the basic needs and security needs take a position above all other needs. Hence basic needs and security needs have the power to motivate a consumer to buy products and services.

ii. Perception

Consumer perception is a major factor that influences consumer behaviour. Customer perception is a process where a customer collects information about a product and interprets the information to make a meaningful image of a particular product.

When a customer sees advertisements, promotions, customer reviews, social media feedback, etc. relating to a product, they develop an impression about the product. Hence consumer perception becomes a great influence on the buying decision of consumers.

iii. Learning

When a person buys a product, he/she gets to learn something more about the product. Learning comes over a period of time through experience. A

consumer's learning depends on skills and knowledge. While skill can be gained through practice, knowledge can be acquired only through experience.

Learning can be either conditional or cognitive. In conditional learning the consumer is exposed to a situation repeatedly, thereby making a consumer to develop a response towards it. Whereas in cognitive learning, the consumer will apply his knowledge and skills to find satisfaction and a solution from the product that he buys.

iv. Attitudes and Beliefs

Consumers have certain attitudes and beliefs which influence the buying decisions of a consumer. Based on this attitude, the consumer behaves in a particular way towards a product. This attitude plays a significant role in defining the brand image of a product. Hence, marketers try hard to understand the attitude of a consumer to design their marketing campaigns.

2. Social Factors:

Humans are social beings and they live around many people who influence their buying behaviour. Humans try to imitate other humans and also wish to be socially accepted in the society. Hence their buying behaviour is influenced by other people around them. These factors are considered as social factors. Some of the social factors are:

i. Family

Family plays a significant role in shaping the buying behavior of a person. A person develops preferences from his childhood by watching family buy products and continues to buy the same products even when they grow up.

ii. Reference Groups

A reference group is a group of people with whom a person associates himself. Generally, all the people in the reference group have common buying behavior and influence each other.

iii. Roles and status

A person is influenced by the role that he holds in the society. If a person is in a high position, his buying behavior will be influenced largely by his status. A person who is a Chief Executive Officer in a company will buy according to

his status while a staff or an employee of the same company will have different buying pattern.

3. Cultural factors:

A group of people is associated with a set of values and ideologies that belong to a particular community. When a person comes from a particular community, his/her behavior is highly influenced by the culture relating to that particular community. Some of the cultural factors are:

i. Culture

Cultural Factors have a strong influence on consumer buying behavior. Cultural Factors include the basic values, needs, wants, preferences, perceptions, and behaviors that are observed and learned by a consumer from their near family members and other important people around them.

ii. Subculture

Within a cultural group, there exists many subcultures. These subcultural groups share the same set of beliefs and values. Subcultures can consist of people from different religion, caste, geographies and nationalities. These subcultures by itself form a customer segment.

iii. Social Class

Each and every society across the globe has the form of social class. The social class is not just determined by the income, but also other factors such as the occupation, family background, and education and residence location. Socialclass is important to predict the consumer behaviour.

4. Personal Factors:

Factors that are personal to the consumers influence their buying behavior. These personal factors differ from person to person, thereby producing different perceptions and consumer behavior.

Some of the personal factors are:

i. Age

Age is a major factor that influences buying behavior. The buying choices of youth differ from that of middle-aged people. Elderly people have a totally different buying behavior. Teenagers will be more interested in buying colorful clothes and beauty products. Middle-aged are focused on house, property and vehicle for the family.

ii. Income

Income has the ability to influence the buying behavior of a person. Higher income gives higher purchasing power to consumers. When a consumer has higher disposable income, it gives more opportunity for the consumer to spend on luxurious products. Whereas low-income or middle-income group consumers spend most of their income on basic needs such as groceries and clothes.

iii. Occupation

Occupation of a consumer influences the buying behavior. A person tends to buy things that are appropriate to this/her profession. For example, a doctor would buy clothes according to this profession while a professor will have different buying pattern.

iv. Lifestyle

Lifestyle is an attitude, and a way in which an individual stay in the society. The buying behavior is highly influenced by the lifestyle of a consumer. For example when a consumer leads a healthy lifestyle, then the products he buys will relate to healthy alternatives to junk food.

5. Economic Factors:

The consumer buying habits and decisions greatly depend on the economic situation of a country or a market. When a nation is prosperous, the economy is strong, which leads to the greater money supply in the market and higher purchasing power for consumers. When consumers experience a positive economic environment, they are more confident to spend on buying products.

Whereas, a weak economy reflects a struggling market that is impacted by unemployment and lower purchasing power.

Economic factors bear a significant influence on the buying decision of a consumer. Some of the important economic factors are:

i. Personal Income

When a person has a higher disposable income, the purchasing power increases simultaneously. Disposable income refers to the money that is left after spending towards the basic needs of a person.

When there is an increase in disposable income, it leads to higher expenditure on various items. But when the disposable income reduces, parallelly the spending on multiple items also reduced.

ii. Family Income

Family income is the total income from all the members of a family. When more people are earning in the family, there is more income available for shopping basic needs and luxuries. Higher family income influences the people in the family to buy more. When there is a surplus income available for the family, the tendency is to buy more luxury items which otherwise a person might not have been able to buy.

iii. Consumer Credit

When a consumer is offered easy credit to purchase goods, it promotes higher spending. Sellers are making it easy for the consumers to avail credit in the form of credit cards, easy installments, bank loans, hire purchase, and many such other credit options. When there is higher credit available to consumers, the purchase of comfort and luxury items increases.

iv. Liquid Assets

Consumers who have liquid assets tend to spend more on comfort and luxuries. Liquid assets are those assets, which can be converted into cash very easily. Cash in hand, bank savings and securities are some examples of liquid assets. When a consumer has higher liquid assets, it gives him more confidence to buy luxury goods.

v. Savings

A consumer is highly influenced by the amount of savings he/she wishes to set aside from his income. If a consumer decided to save more, then his

expenditure on buying reduces. Whereas if a consumer is interested in savingmore, then most of his income will go towards buying products.

2.2 General consumers

A consumer is a person or a group who intends to order, or uses purchased goods, products, or services primarily for personal, social, family, household and similar needs, who is not directly related to entrepreneurial or business activities.

2.3 Industrial consumers

Industrial consumer means the consumer who buys packaged commodities directly from the manufacturer or from an importer or from wholesale dealer for use by that industry and the packages shall have declaration „not for retail sale".

2.4 Online consumers

A consumer who shops online is an online consumer. This consumer shops electronically on the Internet using a web browser. Typically, they will make purchases through online retailers, although some may also use online auction sites. Online Consumer means any natural person who is acting for purposes which are outside his or her business and who places an Order for the supply of Goods and/or Services on the Suppliers website.

2.5 Recent concepts in marketing

1. The production concept

Before a business can offer a product to consumers, they must manufactureor produce said product first. This concept is based on the philosophy of the more something is produced, the less it costs for consumers and if a business can figureout how to produce a product on a mass scale (factories), it lessens the costs for them as well. If this concept could be described in 4 words it would be: Increaseprofits, reduce costs.

2. The product concept

No matter how high quality a product is, the consumer essentially weighs the cost, accessibility, and efficiency before deciding to purchase a product. If a business produces luxury goods that are pricey, then the number of consumers willing to, but the product will possibly below, making it a niche product.

3. The sales concept

Dealing with the process of actually selling a product, this concept emphasizes the importance of selling as much of the product as possible no matter if the needs of the consumer are met or the quality of the product/service. Following this concept alone does not lead to long-term consumer relationships, satisfaction, or consistent sales of a product.

4. The marketing concept

As stated earlier, the marketing concept places the consumer as the main priority for business operations. All motivations for creating a product and creating a marketing strategy to reach potential consumers is all for meeting their wants and needs to increase their satisfaction. This can lead to a business being the preferred choice among its competitors due to putting the consumers' needs first.

5. Societal marketing concept

While similar to the marketing concept in prioritizing the needs of the consumer, the concept also urges businesses to put in mind the overall welfare of the consumer and society as a whole. An example of this might be a business considering an eco-friendly way of producing its products in order to reduce carbon emissions, making the air healthier and improving breathing conditions for consumers.

2.6 Green marketing

Green marketing (or environmental marketing) is the promotion of environmentally friendly products, services, and initiatives. More specifically, green marketing refers a broad range of environmentally friendly practices and strategies. Some green marketing examples include:

- ► Creating eco-friendly products
- ► Using eco-friendly product packaging made from recycled materials
- ► Reducing greenhouse gas emissions from production processes
- ► Adopting sustainable business practices
- ► Marketing efforts communicating a product's environmental benefits
- ► Investing profits in renewable energy or carbon offset efforts

Green marketing is becoming more popular as more people become concerned with environmental issues. Indeed, in 2020, more than three quarters of consumers (77%) cited a brand's sustainability and environmental responsibility as very important or moderately important in their choice of brands.

While green marketing can be more expensive than traditional marketing messages and practices, but it can also be profitable due to increasing demand. For example, products made locally in North America tend to be more expensive than those made overseas using cheap labor, but local sourcing and supply chain means they have a much smaller carbon footprint than goods flown in from overseas. For some consumers and business owners, the environmental benefit outweighs the price difference.

2.7 Digital marketing

The term digital marketing refers to the use of digital channels to market products and services in order to reach consumers. This type of marketing involves the use of websites, mobile devices, social media, search engines, and other similar channels. Digital marketing became popular with the advent of the internet in the 1990s.

Digital marketing involves some of the same principles as traditional marketing and is often considered a new way for companies to approach consumers and understand their behavior. Companies often combine traditional and digital marketing techniques in their strategies.

2.8 Relationship marketing

Relationship Marketing is a strategy of Customer Relationship Management (CRM) that emphasizes customer retention, satisfaction, and lifetime customer value. Its purpose is to market to current customers versus new customer acquisition through sales and advertising.

A good relationship marketing strategy is rooted in building customer loyalty and lasting, long-term engagement with your customer base. Benefits include increased positive word-of-mouth, repeat business, and a willingness on the customer's part to provide valuable feedback to the company and their peers.

Relationship marketing is a facet of customer relationship management (CRM) that focuses on customer loyalty and long-term customer engagement

rather than shorter-term goals like customer acquisition and individual sales. The goal of relationship marketing (or customer relationship marketing) is to create strong, even emotional, customer connections to a brand that can lead to ongoing business, free word-of-mouth promotion and information from customers that can generate leads.

UNIT–III
PRODUCT

3.1 Product definition

A product is the item offered for sale. A product can be a service or an item. It can be physical or in virtual or cyber form. Every product is made at a cost and each is sold at a price. The price that can be charged depends on the market, the quality, the marketing and the segment that is targeted.

Philip Kotler: "A product is anything that can be offered to a market for attention, acquisition, use or consumption. It includes physical objects, services, personalities, place, organizations and ideas."

3.2 levels of product

Customers will choose a product based on their perceived value of it. Satisfaction is the degree to which the actual use of a product matches the perceived value at the time of the purchase. A customer is satisfied only if the actual value is the same or exceeds the perceived value. Kotler attributed five levels to product
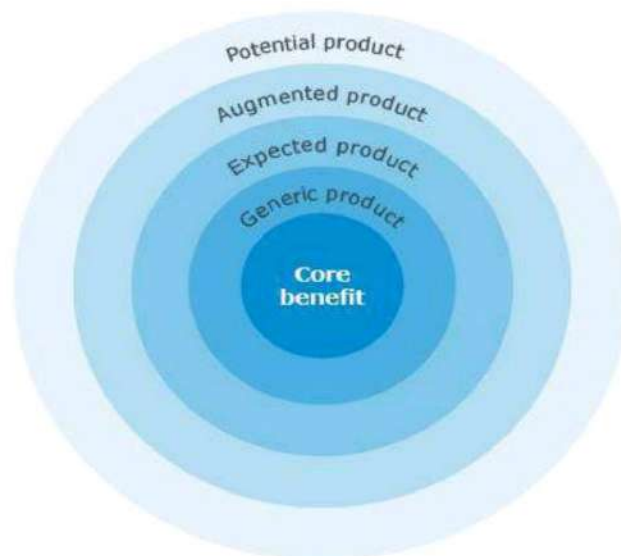
The five product levels are:

► Core benefit:

The fundamental need or want that consumers satisfy by consuming the productor service. For example, the need to process digital images.

► Generic product:

A version of the product containing only those attributes or characteristics absolutely necessary for it to function. For example, the need to process digital images could be satisfied by a generic, low-end, personal computer using free image processing software or a processing laboratory.

► Expected product:

The set of attributes or characteristics that buyers normally expect and agree to when they purchase a product. For example, the computer is specified to deliverfast image processing and has a high-resolution, accurate colour screen.

► Augmented product:

The inclusion of additional features, benefits, attributes or related services that serve to differentiate the product from its competitors. For example, the computer comes pre-loaded with a high-end image processing software for no extra cost orat a deeply discounted, incremental cost.

► Potential product:

This includes all the augmentations and transformations a product might undergoin the future. To ensure future customer loyalty, a business must aim to surprise and delight customers in the future by continuing to augment products. For example, the customer receives ongoing image processing software upgrades with new and useful features.

3.3 classification of products

There are four types of products and each is classified based on consumer habits, price, and product characteristics:

- Convenience goods.
- Shopping goods.
- Specialty goods.
- Unsought goods.

► **Convenience Goods**

These are products that consumers purchase often and habitually, without much thought given. Convenience goods usually are low-cost items with little differentiation between brands, and therefore customers often pick a brand one time and then remain with that brand without reconsidering. Examples include toothpaste, ketchup, soap, and candy.

► **Shopping Goods:**

In contrast, consumers looking to purchase shopping goods are more willing to do research and compare different product options. The reason for this is because shopping goods are higher-priced or more important items within a person's life and therefore it is a more economic use of consumers' time to compare products. Examples can include extremely large purchases like houses and cars or more modest items like clothing. Take cars– people are willing to exert significant time and resources looking online, visiting multiple dealerships, and test-driving different vehicles to find the best car for the price.

► **Specialty Goods:**

Specialty goods are products are so unique or have such a loyal following that consumers will go to extensive lengths to seek them out. Rather than comparing brands looking for an attractive value, buyers of specialty goods focus on seeking out the one specific product they are looking for. Examples include Ferraris, GoPro cameras, and iPhones.

► **Unsought Goods:**

The final category of product is unsought goods–products that consumers either do not know about or would never think of buying. They are often items that people buy out of a sense of fear or danger, such as life insurance or fire extinguishers. Another example is batteries; no one ever thinks to buy a battery until their old ones die and need replacement.

3.4 Product Mix: Hierarchy, Classifications, Mix.

Product Hierarchy:

Each product is related to certain other products. The product hierarchy stretches from basic needs to particular items that satisfy those needs. There are 7 levels of the product hierarchy:

1. Need family:

The core need that underlines the existence of a product family. Let us consider computation as one of needs.

2. Product family:

All the product classes that can satisfy a core need with reasonable effectiveness. For example, all of the products like computer, calculator or abacuscan do computation.

3. Product class:

A group of products within the product family recognised as having a certain functional coherence. For instance, personal computer (PC) is one productclass.

4. Product line:

A group of products within a product class that are closely related because they perform a similar function, are sold to the same customer groups, are marketed through the same channels or fall within given price range. For instance, portable wire-less PC is one product line.

5. Product type:

A group of items within a product line that share one of several possible forms of the product. For instance, palm top is one product type.

6. Brand:

The name associated with one or more items in the product line that is usedto identify the source or character of the items. For example, Palm Pilot is one brand of palmtop.

7. Item/stock-keeping unit/product variant:

A distinct unit within a brand or product line distinguishable by size, price, appearance or some other attributes. For instance, LCD, CD- ROM drive and joystick are various items under palm top product type.

Product Mix:

An organisations product line is a group of closely related products that are considered a unit because of marketing, technical or end-use considerations. In order to analyse each product line, product- line managers need to know two factors. These are.

► Sales and profits
► Market profile

A product mix or assortment is the set of all products and items that a particular seller offers for sale. A company's product-mix has some attributes such as.

1. Width:

This refers to how many different product lines the company carries.

2. Depth:

This refers to how many variants, shades, models, pack sizes etc. are offered ofeach product in the line

3. Length:

This refers to the total number of items in the mix.
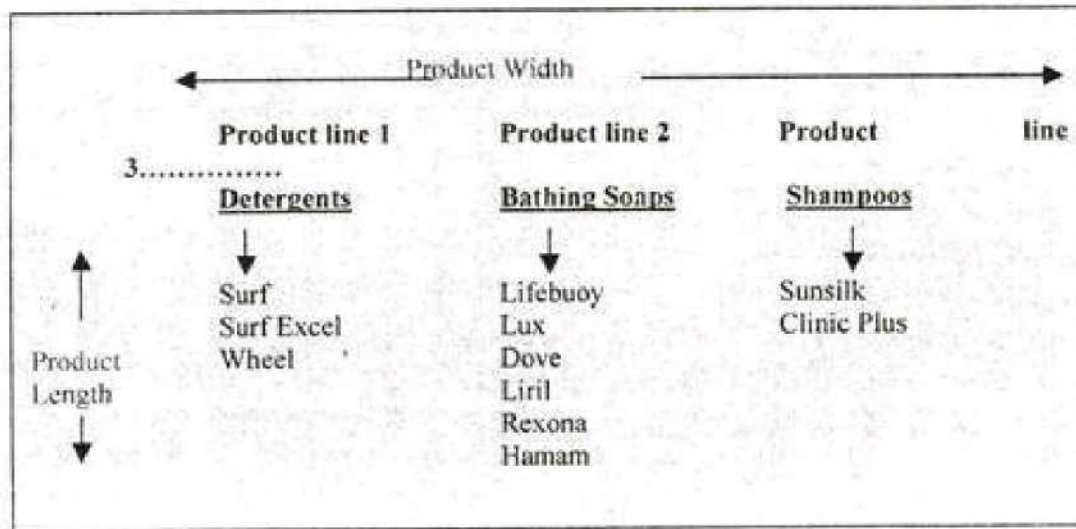
4. Consistency:

This refers to how closely the various product lines are related in end use, production requirements, distribution channels or some other way.

Let us take example of partial product assortment of HLL in its Home and Personal Care (HPC) division:

TABLE 4.1: PARTIAL PRODUCT ASSORTMENT OF HLL

Product-Line Length:

Product-line managers are concerned with length of product line. If adding items to the product line can increase profits, then we can say that the product line is too short. On the contrary, the line is too long if dropping items can increase profits. They have to consider these two extremes of the product line and have to strike a balance between them.

3.5 Product life cycle

The term product life cycle refers to the length of time a product is introduced to consumers into the market until it's removed from the shelves. This concept is used by management and by marketing professionals as a factor in deciding when it is appropriate to increase advertising, reduce prices, expand to new markets, or redesign packaging. The process of strategizing ways to continuously support and maintain a product is called product life cycle management.

► A product life cycle is the amount of time a product goes from being introduced into the market until it's taken off the shelves.
► A company often incurs higher marketing costs when introducing a product to the market but experiences higher sales as product adoption grows.
► Sales stabilize and peak when the product's adoption matures, though competition and obsolescence may cause its decline.

► The concept of product life cycle helps inform business decision-making, from pricing and promotion to expansion or cost-cutting.

There are four generally accepted stages in the life cycle of a product— introduction, growth, maturity, and decline.

Introduction Stage

The introduction phase is the first time customers are introduced to the new product. A company must generally includes a substantial investment in advertising and a marketing campaign focused on making consumers aware of the product and its benefits, especially if it broadly unknown what the good willdo.

During the introduction stage, there is often little to no competition for a product as other competitors may be getting a first look at rival products.However, companies still often experience negative financial results at this stageas sales tend to be lower, promotional pricing may be low to drive customer engagement, and the sales strategy is still being evaluated.

Growth Stage

If the product is successful, it then moves to the growth stage. This is characterized by growing demand, an increase in production, and expansion in its availability. The amount of time spent in the introduction phase before a company's product experiences strong growth will vary from between industriesand products.

During the growth phase, the product becomes more popular and recognizable. A company may still choose to invest heavily in advertising if the product faces heavy competition. However, marketing campaigns will likely be geared towards differentiating their product from others as opposed to introducing their goods to the market. A company may also refine their product by improving functionality based on customer feedback.

Financially, the growth period of the product life cycle results in increased sales and higher revenue. As competition begins to offer rival products, competition increases, potentially forcing the company to decrease prices and experience lower margins.

Maturity Stage

The maturity stage of the product life cycle is the most profitable stage, while the costs of producing and marketing decline. With the market saturated with the product, competition now higher than at other stages, and profit margins starting to shrink, some analysts refer to the maturity stage as when sales volume is "maxed out".

Depending on the good, a company may begin deciding how to innovate their product or introduce new ways to capture a larger market presence. This includes getting more feedback from customers, their demographics, and their needs.

During the maturity stage, competition is now the highest. Rival companies have had enough time to introduce competing and improved products, and competition for customers is usually highest. Sales levels stabilize, and a company strives to have their product exist in this maturity stage for as long as possible.

Decline Stage

As the product takes on increased competition as other companies emulate its success, the product may lose market share and begin its decline. Product sales begin to decline due to market saturation and alternative products, and the company may choose to not pursue additional marketing efforts as customers may already have determined themselves loyal to the company's products or not.

Should a product be entirely retired, the company will stop generating support for the good and entirely phase out marketing endeavors. Alternatively, the company may decide to revamp the product or introduce it with a next generation, completely overhauled item. If the upgrade is substantial enough, the company may choose to re-enter the product life cycle by introducing the new version to the market.

The stage of a product's life cycle impacts the way in which it is marketed to consumers. A new product needs to be explained, while a mature product needs to be differentiated from its competitors.

3.6 The Concept and its Strategic Implications

Marketing strategies used in the **introduction stages** include:

►   Rapid skimming – launching the product at a high price and high promotional level
►   Slow skimming – launching the product at a high price and low promotional level
►   Rapid penetration – launching the product at a low price with significant promotion
►   Slow penetration – launching the product at a low price and minimal promotion

During the **introduction stage,** you should aim to:

►   Establish a clear brand identity
►   Connect with the right partners to promote your product
►   Set up consumer tests, or provide samples or trials to key target markets
►   Price the product or service as high as you believe you can sell it, and to reflect the quality level you are providing

You could also try to limit the product or service to a specific type of consumer –being selective can boost demand.

Product growth strategies

Marketing strategies used in the **growth stage** mainly aim to increase profits. Some of the common strategies to try are:

►   improving product quality
►   adding new product features or support services to grow your market share
►   entering new markets segments
►   keeping pricing as high as is reasonable to keep demand and profits high
►   increasing distribution channels to cope with growing demand
►   shifting marketing messages from product awareness to product preference
►   skimming product prices if your profits are too low

The growth stage is when you should see rapidly rising sales, profits and your market share. Your strategies should seek to maximise these opportunities.

Product maturity strategies

When your sales peak, your product will enter the **maturity stage**. This often means that your market will be saturated and you may find that you need tochange your marketing tactics to prolong the life cycle of your product. Commonstrategies that can help during this stage fall under one of two categories:

► market modification – this includes entering new market segments, redefining target markets, winning over competitor's customers, converting non-users
► product modification – for example, adjusting or improving your product's features, quality, pricing and differentiating it from other products in the marking

Product decline strategies

During the end stages of your product, you will see **declining sales and profits**. This can be caused by changes in consumer preferences, technological advances and alternatives on the market. At this stage, you will have to decide what strategies to take. If you want to save money, you can:

► reduce your promotional expenditure on the products
► reduce the number of distribution outlets that sell them
► implement price cuts to get the customers to buy the product
► find another use for the product
► maintain the product and wait for competitors to withdraw from the market first
► harvest the product or service before discontinuing it

Another option is for your business to discontinue the product from your offering. You may choose to:

► sell the brand to another business
► significantly reduce the price to get rid of all the inventory

Many businesses find that the best strategy is to modify their product in the maturity stage to avoid entering the decline stage.

3.7 Significance of branding

Branding has been around for centuries as a means to distinguish the goods of one producer from those of another. A brand is a specific term that may include a name, sign, symbol, design or a combination of these, with an intention to identify goods or services of a particular seller.

In fact, the word 'brand' is derived from the Old Norse word *brander*, which means 'to burn'. Branding helps to develop customer loyalty and it is advertised by sellers under their own name. A good brand develops a corporate image. Usually customers prefer brands as they can easily differentiate the quality.

Thus, branding facilitates product differentiation. Managing a brand is a major task in marketing. The battle in the market takes place not between companies but between brands, and every firm tries best to develop its brand image.

Branding provides benefits to buyers and sellers.

To Buyer:

► A brand helps buyers in identifying the product that they like/dislike.
► It identifies the marketer.
► It helps reduce the time needed for purchase.
► It helps buyers evaluate quality of products, especially if they are unable to judge a product's characteristics.

To Seller:

► A brand differentiates product offering from competitors.
► It helps segment market by creating tailored images.
► It identifies the companies' products making repeat purchases easier for customers.
► It reduces price comparisons.
► It helps the firm introduce a new product that carries the name of one or more of its existing products.
► It promotes easier cooperation with intermediaries with well-known brands
► It facilitates promotional efforts.

► It helps in fostering brand loyalty, thus helping to stabilize market share.
► Firms may be able to charge a premium for the brand.

3.8 New Product development Process

New product development refers to the process that goes into bringing a new product to market, from brainstorming an idea to understanding if it fits into the market, ironing it out to prototyping to final commercialization.

Although it can be a rather lengthy process that sometimes requiresiteration, it's all done to ensure that your product is the best it can be before it reaches your customers and solves their needs in the best possible way.

The 7 stages of the new product development process are:

❖ Idea Generation
❖ Research
❖ Planning
❖ Prototyping
❖ Testing
❖ Product Development
❖ Commercialization

1. Idea Generation

The new product development process begins with idea generation, where you brainstorm an idea (or ideas) that will help you solve an existing customer problem in a new and innovative way. As you're coming up with ideas that will help you solve customer needs, it's important to have a robust understanding of your target market and the pain points they have that you want to solve.

Your initial idea generation stage can be as simple as saying "What if we didthis?" and then they become more ROBUST during the research stage.

2. Research

Once you've developed a product idea, the next step is conducting research to FLESH IT OUT. There are various steps you can take to do this, like:

● **Market research** to understand the current sentiment in your industry andif there are any holes that your product will fit into, and if there will even be demand for it.

- **Competitor analysis** to understand if customers think there are things your competitors' products or services lack that you can incorporate into your product to better fit your target market's needs.

During this stage, you can also get early feedback from customers about what they think of your ideas before coming up with a final definition for your product. One of the best ways to get this feedback is through surveys, where you can easily and quickly collect information from existing customers. A high- quality tool like Lucky Orange can help you create these surveys, and with it, you can ask multiple choice questions about types of products they may be interested in, or more open-ended questions that give you more insight into customer opinions.

This stage may include a bit of iteration because your research may tell you that you need to refine your original ideas and adjust your research scope before moving on to the next stage.

3. Planning

The third stage is planning, where you formulate a final product idea/definition based on your initial idea and research and begin coming up with your plans to bring it to life.

When you define your final product, you'll want to begin planning for what you'll need in order to create it. For example, if you're creating a physical product, you'll need to source the necessary materials or find production partners that will assist in manufacturing.

Planning also involves coming up with a marketing strategy that will help you effectively market when your product is completed, pricing models that make sense for your product, and that your customers will pay.

It's also critical to identify the teams that will be involved in your product development process that will help bring it to market, from the marketing teams that will promote your product to any possible external partners that will assist with production.

4. Prototyping

The prototyping phase is when you come up with a sample product that is a mock-up of what will be created during mass production.

This prototype is often referred to as a minimum viable product (MVP), which is a basic version of your tool, still similar to your final product that will help you get a sense of how it functions and identify any areas that need to be improved.

You may make multiple prototypes and go back and forth between this stage and the testing stage before you have a finalized prototype.

5. Testing

Before launching your product you need to test it to ensure it will work as advertised and effectively solve your customer needs. So, during this stage, you'll share your prototypes with target audiences and ask for actionable feedback on how the product works.

Essentially, you want your product to be used in situations that are similar to real-world use cases so you know exactly what works and what doesn't. Sometimes the results of your testing will require you to go back and make changes to your prototype, as mentioned above.

Once you feel as though your prototype is finished and ready to solve your customer needs, you'll begin product development.

6. Product Development

This stage involves creating the final product that will be commercialized once completed. You'll use the insights gained from testing your MVP to make final touches to your prototype, and begin mass production.

Depending on your type of business, you'll likely have a different process for product development. For example, if you're a SaaS business, your internal software development or programming teams will likely work to finalize code. If you create a physical product, you may outsource labour for certain components and assemble final products in your warehouse.

Whichever your process is, your planning stage should've helped you identify how your product development will go.

7. Commercialization

The final stage of your new product development process is commercialization, where you introduce your products to market. This is the

culmination of your brainstorming, research, iteration, where your audiences can finally make use of what you created.

You'll enact your marketing plans to make your audiences aware of your new product, and enact campaigns that will entice them to become customers.

Although this is the final stage, many businesses launch their products and, over time, return to make improvements to their products based on customer feedback and market changes to ensure they're always providing the best possible customer experience.

UNIT-IV
PRICING AND PHYSICAL DISTRIBUTION

4.1 Price

Price is the amount that consumers will be willing to pay for a product. Marketers must link the price to the product's real and perceived value, while also considering supply costs, seasonal discounts, competitors' prices, and retail markup.

A price is the (usually not negative) quantity of payment or compensation given by one party to another in return for goods or services.

4.2 Pricing objectives

Pricing objectives are essential to consider when pinning down an ideal price point. You don't want to choose what you charge for a product or service at random. Without an objective, you're throwing prices at the wall and seeing what sticks. That's no way to do business.

But landing on a pricing objective isn't always straightforward. And the one you go with typically rests on a variety of factors. Elements like timing, broader business goals, market position, and financial circumstances can all impact your decisions.

Pricing objectives are a framework. They can help you decide the primary motivation for your pricing decisions.

Types of pricing objectives:

- ► Improving Retention
- ► Maximizing Profit
- ► Increasing Sales Volume
- ► Competing With Similar Companies
- ► Shifting Brand Image

1. Improving Retention

Customer retention is the sum of a company's efforts to keep its existing customers on board. It's an essential, cost-effective process that any growing business needs to prioritize. And implementing a strategy to improve yours often has a lot of layers.

Doing the practice right involves aspects like:

► Offering exemplary customer service
► Investing in a solid customer success team
► Creating customer loyalty programs

But the avenues you can take to improve customer retention aren't limited to service – and the impact pricing can have on retention is a testament to that.

Maximizing retention is a popular pricing objective. If you choose to go this road, you may want to tailor your prices to retain the prestige of your product. At the same time, you don't want to raise prices to the point of alienating current customers. That generally translates to keeping prices relatively consistent.

2. Maximizing Profit

Maximizing profit is one of the most popular, conventional pricing objectives. And that makes sense – it's not revolutionary to point out that businesses that don't make money rarely survive.

Businesses that price for profit often do so by raising prices and cutting costs wherever possible. Ideally, they want to see significant improvements in return on investment (ROI). Pursuing this particular pricing objective often comes at the expense of sales volume or general revenue.

3. Increasing Sales Volume

Some companies set and change their pricing strategies to maximize conversions. These businesses set prices specifically to foster immediate, meaningful growth. In some cases, the endgame is getting a business off the ground – carving out a piece of a market and settling in.

In other cases, an already-established business might want to claim or maintain a specific share of its competitive landscape. They strategically adjust their prices to account for shifts and fluctuations that could alter their place in the market.

And sometimes, companies might adjust their prices to make concentrated pushes to maximize their market share. In these cases, their pricing objectives are still set with intention – but are a bit more indiscriminate than they'd be otherwise.

4. Competing With Similar Companies

Sometimes a business needs to make a product or service more competitive within its broader market. Maybe, the sales volume that the company is raking in isn't what they'd like it to be. Their company could also be losing out to lower or higher-priced options.

Competitor-based pricing is common in saturated or competitive industries. It's also typical when a product doesn't have many unique features.

Timing is essential with competitor pricing objectives. You'll also want access to real-time data so that you can adjust your pricing in alignment with your top competitors.

Competitor-focused pricing objectives can help pull customers away from a competitor. They can also help a new business get traction with new customers.

5. Shifting Brand Image

Pricing has a significant impact on how consumers perceive a business. Ideally, higher prices create an air of prestige and luxury, while lower ones signal value. But public perception doesn't always shake out how companies want it to.

If your pricing objectives centre on brand equity, creating a long-term strategy is important. While some pricing approaches can fluctuate, consistency matters. Brand-focused pricing needs to appeal to your target audience.

Certain prices or pricing models might leave a business with an image it's not particularly happy with. In those instances, companies might look to raise or lower prices to capture and project fresh brand identities. That might mean changing to branding that your target consumers will be receptive to.

4.3 Pricing policies

A pricing policy is a company's approach to determining the price at which it offers a good or service to the market. Pricing policies help companies make sure they remain profitable and give them the flexibility to price separate products

differently. Your company might value having a well-defined pricing policy so it can make price adjustments quickly and take advantage of products' strengths in one or more markets.

Considerations for pricing policies

Companies often have different priorities when determining how to price their products. Your new company might need to introduce its services while offering good value to consumers, or it might be a well-established and highly profitable company that sells in a market willing to pay higher prices. The most important considerations for pricing policies are:

- **Competition:** Your business likely understands who its competitors are and what they charge consumers. Pricing policies heavily consider competition with other firms in the market.

- **Profit goals:** You might choose a pricing policy to meet a specific profit goal for your company.

- **Sales totals:** Pricing policies directly affect how many people buy your company's product and how much they purchase.

- **Firm health:** The financial circumstances of your company may enable it to prioritize market strategy over immediate profit, or you may need to earn revenue as soon as possible to remain in business.

- **Flexibility:** Companies often react to market shifts by changing prices. Your company might consider if your initial price enables you to respond to the market without losing profitability.

- **Government regulation:** To protect consumers, the government regulates the pricing of certain goods and services. Depending on your industry, this may be irrelevant or a central concern in pricing policy.

- **Method of price adjustment:** Increasingly, companies that sell vast amounts of goods may automate pricing with specialized software. Pricing policies consider how your company intends to change prices.

- **Sales venue:** If your company sells the same product in wholesale, retail or other venues, pricing policies may differ for each one.

4.4 Methods of pricing

There are many different pricing strategies, but Competitive Pricing, Cost-plus Pricing, Markup Pricing and Demand Pricing are four common methods for small business owners to use.

1. Competitive Pricing

If you are in the business of selling readily-available products, then pricing that is similar to your competitors can be an option. It is always a good idea to distinguish your business on something other than a competitive price, in case you cannot maintain the volume a vendor requires, or if costs spike suddenly.

2. Cost-Plus Pricing

In terms of small businesses, Cost-plus Pricing is often used when the manufacturer or creator of a product also sells at retail. Cost-plus is adding the materials, labor and overhead to a set profit margin to determine the final or total cost of the product.

3. Markup Pricing

Markup Pricing can be considered a variation on Competitive Pricing. This method is when a set percentage, the markup, is added to the wholesale product cost. It may vary by product or category.

4. Demand Pricing

Demand pricing is a more risky and complicated method sometimes known as customer-based pricing. In this method, a retailer is using his or her knowledge of consumer demand and perceived value to create the maximum price that someone might be willing to pay.

These product pricing methods should help you determine which one will work best for your business. Keystone Pricing definitely ranks as one of the easiest and fastest methods. Just remember that giving attention to providing the best customer service can make any pricing strategy more effective.

4.5 Distribution channel – (levels, advantages and disadvantages)

"Channels of distribution refer to the different businesses or intermediaries lined up in a chain. Through this pipeline, various goods and services of the

company will pass before reaching the customer. These channels are retailers, distributors, wholesalers, and many more."

Channels of distribution are also known as distribution channels.

The channels and pathways of business transmit a product or service through it before reaching the final user.

These channels often consist of distributors, wholesalers, retailers, online stores, and so on.

Distribution Channel Overview

Company · **Ecosystem**

Key Customer

Company · **Consumers** · **Data** · **Hardware** · **Software**
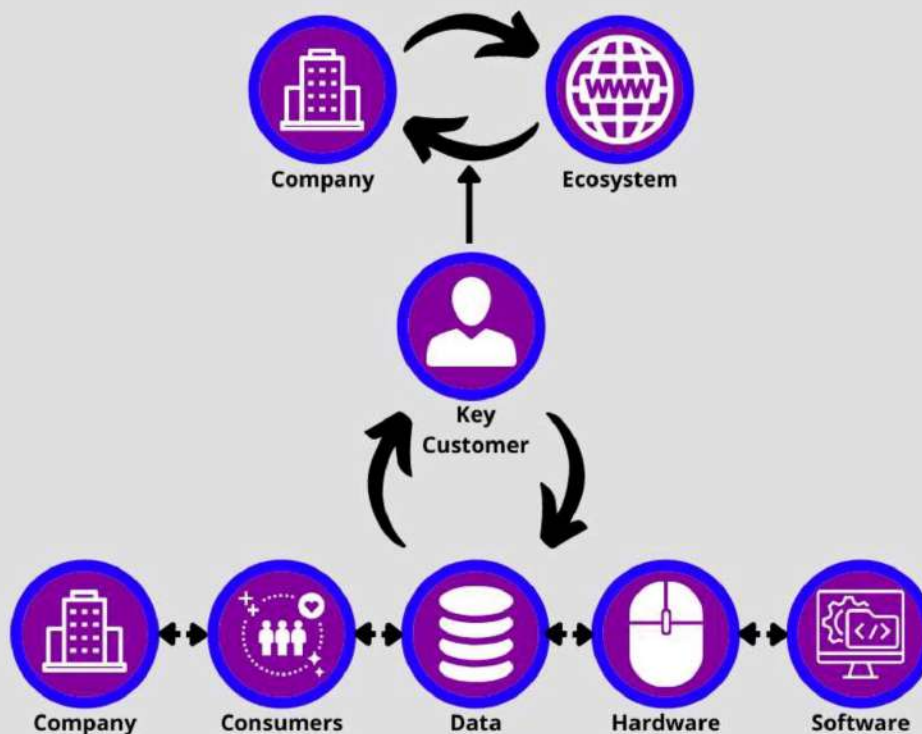
Channels of distribution are of three types. Each type of distribution consists of a mixture of the four tracks, namely wholesaler, retailer, manufacturer, and the final customer.

The first type consists of all four channels, and it is considered the longest among the three. For example, an alcoholic beverage manufacturer must first sell the product to a wholesaler who will later sell it to a retailer.

In the second type, you exclude the wholesaler. Hence, the product directly goes from the manufacturer to the retailer. For example, car dealerships typically buy cars from the manufacturer and sell them to the final customer.

The last stage is where the wholesaler, as well as the retailer, is excluded. For example, you can buy Apple products directly from the manufacturer's retail stores.

Types of Distribution Channels
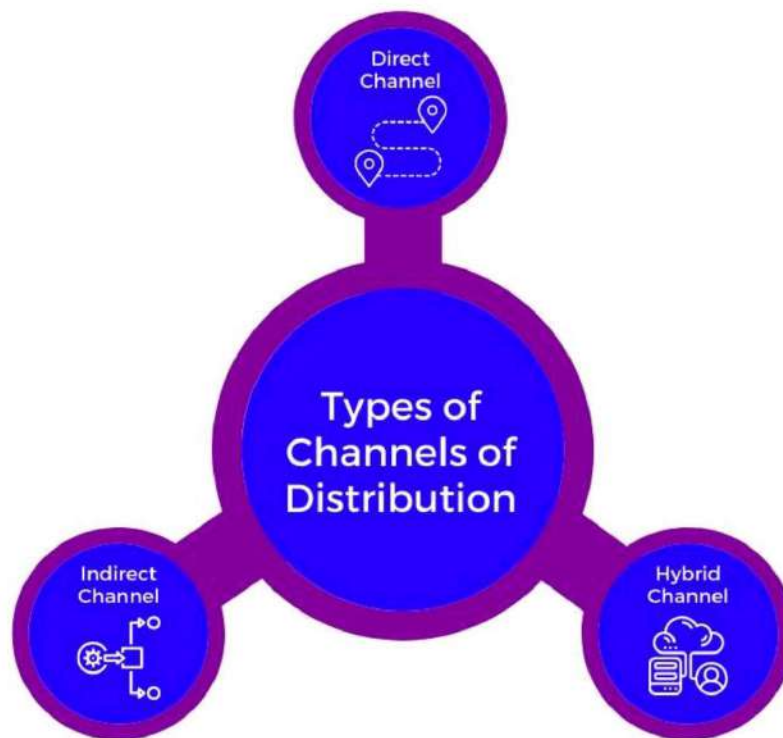
There are three modes of distribution based on the number of included intermediaries.

The Level One

At this level, only one distributor is involved. This is the typical level where producer to retailer to the customer is the distribution chain—for example, clothing lines.

The Level Two

Level two includes producers, wholesalers, and retailers. The product distribution chain goes like this: Manufacturers to wholesalers to retailers to customers—for example, supermarkets.

The Level Three

In level three, the product goes from producers to agents/brokers to wholesalers, retailers, and customers, for example poultry industry.

4.6 Factors to be considered in selecting a channel

Some of the factors that should be considered while selecting channels of distribution are as follows:

(i) Product
(ii) Market
(iii) Middlemen
(iv) Company
(v) Marketing Environment
(vi) Competitors
(vii) Customer Characteristics
(viii) Channel Compensation.

We have to consider the following factors for the selection of channel of distribution:

i. Product

Perishable goods need speedy movement and shorter route of distribution. For durable and standardized goods, longer and diversified channel may be necessary. Whereas, for custom made product, direct distribution to consumer or industrial user may be desirable.

Also, for technical product requiring specialized selling and serving talent, we have the shortest channel. Products of high unit value are sold directly by travelling sales force and not through middlemen.

ii. Market:

- For consumer market, retailer is essential whereas in business market we can eliminate retailing.

- For large market size, we have many channels, whereas, for small market size direct selling may be profitable.

- For highly concentrated market, direct selling is preferred whereas for widely scattered and diffused markets, we have many channels of distribution.

- Size and average frequency of customer's orders also influence the channel decision. In the sale of food products, we need both wholesaler and retailer.

Customer and dealer analysis will provide information on the number, type, location, buying habits of consumers and dealers in this case can also influence the choice of channels. For example, desire for credit, demand for personal service, amount and time and efforts a customer is willing to spend–areall important factors in channels choice.

iii. Middlemen:

- Middlemen who can provide wanted marketing services will be given first preference.

- The middlemen who can offer maximum co-operation in promotional services are also preferred.

- The channel generating the largest sales volume at lower unit cost is giventop priority.

iv. Company:

- The company's size determines the size of the market, the size of its larger accounts and its ability to set middlemen's co-operation. A large company may have shorter channel.

- The company's product-mix influences the pattern of channels. The broader the product- line, the shorter will be the channel. If the product- mix has greater specialization, the company can favour selective or exclusive dealership.

- A company with substantial financial resources may not rely on middlemenand can afford to reduce the levels of distribution. A financially weak company has to depend on middlemen.

- New companies rely heavily on middlemen due to lack of experience.

- A company desiring to exercise greater control over channel will prefer a shorter channel as it will facilitate better co-ordination, communication and control.

- Heavy advertising and sale promotion can motivate middlemen in the promotional campaign. In such cases, a longer chain of distribution is profitable. Thus, quantity and quality of marketing services provided by the company can influence the channel choice directly.

v. Marketing Environment:

During recession or depression, shorter and cheaper channel is preferred. During prosperity, we have a wider choice of channel alternatives. The distribution of perishable goods even in distant markets becomes a reality due to cold storage facilities in transport and warehousing. Hence, this leads to expanded role of intermediaries in the distribution of perishable goods.

vi. Competitors:

Marketers closely watch the channels used by rivals. Many a time, similar channels may be desirables to bring about distribution of a company's products. Sometimes, marketers deliberately avoid channels used by competitors. For example, company may by-pass retail store channel (used by rivals) and adopt door-to-door sales (where there is no competition).

vii. Customer Characteristics:

This refers to geographical distribution, frequency of purchase, average quantity of purchase and numbers of prospective customers.

viii. Channel Compensation:

This involves cost-benefit analysis. Major elements of distribution cost apart from channel compensation are transportation, warehousing, storage insurance, material handling distribution personnel's compensation and interest on inventory carried at different selling points. Distribution Cost Analysis is a fast growing and perhaps the most rewarding area in marketing cost analysis andcontrol.

4.7 Channel conflicts (causes and overcoming conflicts)

Channel conflict occurs when brands interfere with their partners' ability to sell and distribute products to customers. It typically occurs when a brand begins selling its products directly to consumers, disrupting channel partnerships with distributors, retailers, and agents who typically serve as intermediaries.

This happens when channel partners, who supply a particular product or service (manufacturers), disintermediate their current channel partners. Since channel partners are acting as their retailers, distributors, sales representatives, and dealers, it is but right that they give the agreed compensation, especially if the channel partners were instrumental to the closing of the deal or sale.

Unfortunately, channel conflict can arise when manufacturing channel partners sell their products or services directly to consumers over the Internet or other marketing methods. In the end, this kind of action creates clash or grievance among the participating channel partners and hinders harmonious cooperation with each channel partner. Without a doubt, managing channel conflict must be done as soon as it is discovered.

WHAT ARE THE CAUSES OF CONFLICT?

Managing channel conflict requires you to determine the actual causes. Here are two possible causes:

DIRECT SALES

In the case of direct channel conflict, you must understand and determine the cause of the conflict. Also, know what type of channel conflict it falls under. This way, you determine the root of the problem and the channel partners involved in this. As a result, you know who to talk to and mediate with to resolve the **channel conflict** at hand.

INDIRECT SALES NETWORK

On the other hand, there are a lot of unique problems involving this channel conflict cause. To prevent further damage, the channel captain must immediately address any conflict and resolve it as soon as possible.

Here are the most usual causes of channel conflict in relation to indirect sales:

1. MIXING DIRECT SALES WITH INDIRECT SALES

In simple terms, any channel vendor who tries to sell directly to the public and sells to channel partners as well as a channel conflict in the making. As such, it is understandable that many channel partners will go against working with such IT vendors. Though there are some exceptions to this, there are many more that will end up in a conflict. So why bother to mix both, right?

2. PROVIDING CHANNEL PARTNERS TOO MUCH CONTROL IN PRICING

Tempting though it can be to be lax in pricing, this has to be avoided, especially if there are too many IT vendors and channel partners involved. What can happen is that partners may undercut each other or sell below the agreed pricing so they can close the deal. What do they get from such a loss? They recoup the loss using the value-added services. To avoid this reason for channel conflict, you must make it a point to know the pricing your channel partners put on your products or services. Set rules on discounts so all vendors can price yours at the same value and you never have to worry about being de-valued.

3. MARKETING OR STRATEGY BLUNDERS

This channel conflict happens when the IT vendor and some channel partners have diverse visions for a product or service or even the kind of market it should be offered to. Each vendor or channel partner gives a different pitch on who can use the product or service and the scope that it will have. As a result, confusion and/or negative brand perception on your product or service is eventually formed. However, with clever marketing, this conflict can turn to your advantage if you successfully resolve the confusion and its resulting conflict.

4. MORE CHANNEL PARTNERS SERVING FEWER CLIENTS

This cause of conflict happens when an IT vendor has bad geographic or demographic targeting. In this case, one possible thing that can happen is that the vendors lose interest in promoting or selling your product as there aren't' that many clients. On the other hand, vendors themselves compete directly with one another to sell your product or service. This direct rivalry can result in a bad channel conflict and even to you as channel captain since they can reflect as channel mismanagement.

5. STRUGGLE TO ADAPT TO CHANGE

Old procedures have been effective and have brought you this much success. So, why bother to change? Why should you innovate your product or services or how to implement policies and procedures? Channel conflict will arise if some channel partners insist on sticking to the old ways while others follow the adaptations. As a result, buyers are confused about who to believe and your brand is viewed negatively since there is no unity in your channel partners. The solution? Proactive communication so everyone will agree and do the same sales pitch.

HOW DO YOU OVERCOME CHANNEL CONFLICT?

To overcome channel conflicts when you participate in direct to consumer sales without clashing with your distributors, you can offer the following:

1. **Exclusive Products:** Take advantage of products or services that are exclusively given to you. Exclusive items or services generate stories, increase demand for your products or services, and showcase your brand. This way, you avoid channel conflicts with retailers and other resellers. Since it's exclusive to you, you aren't competing directly with them nor are you selling at a loss. Simply put, you offer a unique product or service and you sell directly but still allow others to sell. In the end, providing a personalized product or service requires creativity so that you can provide items that are unique and exclusive to you.

2. **Product Giveaways:** Who doesn't like freebies, right? Having product giveaways can create value for your consumers. This can encourage them to choose your product or services, especially if what you offer is at par with the others in the market. While some will go after your freebie, once the product or service is tested and they like it, they will buy more even if the freebie is not available anymore. As a result, you sell your product, your vendor sells your product, and your consumers are happy with your product. Everyone's happy! As a result, you manage channel conflict.

3. **Kits and/or Bundle Set:** This is very appealing to your customers so it almost always works. Combining products or services at a reasonable price allows your partners to sell these kits and sets and allows your consumers to have more of your product or service.

To conclude, how you overcome channel conflicts can vary from case to case. But what is important is that you must be fair and open in your dealings. Plus, there has to be a sincere commitment to further the success of your channel partners' businesses and not just yours. After all, this is what a community is all about. For its members to help each other out to attain success together.

UNIT-V
PROMOTION

5.1 Elements of the Promotion Mix:

A promotional mix is an allocation of resources among five primary elements:

1. Advertising
2. Public relations or publicity
3. Sales promotion
4. Direct marketing
5. Personal selling

1. Advertising.

Advertising is any paid form of media communication. This includes printads in magazines, trade journals and newspapers, radio and TV announcements, Web-based visibility-building, and billboards. Advertising is a nonpersonal promotional activity because the seller has no direct contact with the potential customer during the communication process.

2. Sales Promotions.

In-store demonstrations, displays, contests and price incentives (50% off, buy-one-get-one-free) are sales promotion techniques.

3. Public Relations.

These activities promote a positive image, generate publicity and foster goodwill with the intent of increasing sales. Generating favorable media coverage, hosting special events and sponsoring charitable campaigns are examples of public relations.

4. Direct Marketing.

A form of advertising aimed directly at target customers (usually in their homes or offices) that asks the receiver to take action, such as ordering a product,

clipping a coupon, phoning a toll-free number or visiting a store. Catalogs, coupon mailers and letters are common forms of direct marketing.

5. Personal Selling.

Face-to-face communication between buyer and seller.

5.2 Basics of Advertising (5M's)

During the advertising process, each part of marketing and advertising canbe important to understand in the marketing department. The 5 M's of advertisingare elements of advertising that can help show the importance of advertising, including how an advertisement works and what limitations or extensions it might have. By learning more about these five principles, you can help teach your department how to best improve the effectiveness of your advertising efforts.

The five M's can all help a department understand how to develop brands, market toward a target market and build a strategy for future profits. The five M'sof advertising are as follows:

Mission

The marketing mission is what a department wants to complete with an ad. It can be to sell a product, promote a service, and develop a brand or more company objectives. It could inform the customers of the delivery stages of a product, such as one that is still in development. Even if a product is unreleased,advertisements can still promote the product through a dual mission goal. Advertisements that both promote and give details about a product accomplish two mission goals: to describe the product to customers and to garner interest in the product for potential buyers.

Both of these goals serve similar objectives but complete different requirements. A mission can also persuade customers to aim for a particular brandin the product. This could be, for example, used in an advertisement for a popularbrand, when it mentions another brand within the same company. Companies canuse one product to advertise another to fulfill a specific mission. A mission can also be simply to keep customers informed about the product, to keep them thinking about it in a repeated pattern.

Money

Money in the five M's of advertising concerns all the budgets for collective advertising. This can apply to the media used, the geography of the advertising and the demographics the advertising targets. This can also concern how long the advertisements run, and with what products they associate with. Depending on many of these factors, an advertisement could be more or less expensive and effect the overall budget.

Message

The message of an advertisement is the medium from which the advertisement speaks or delivers to the target audience. Messages generate within departments in different ways before they become available to the current audience. Inductive message generation allows business leaders and department heads to brainstorm before deciding on a final message. Deductive reasoning in message creation attributes message purposes to rational, sensory and social values of a customer. Both of these methods acknowledge and rely on message execution, which is the format in which a message delivers to a customer.

Media

Media is the medium through which advertising conveys. When choosinghow to convey an advertisement, members of the department focus on the reach,impact and frequency of the media while considering the advertisement itself. They also determine the mode of media by what is available to the company, including what resources they have to develop and mass produce the media, if necessary. Once they consider these factors, they choose the media vehicle and the media vehicle's timing, or how long the media add projects to the audience.

Measurement

Measurement is a post advertisement set of activities that measures how effective an advertisement was to the target audience and for the product. Using research and analysis tools, a team can determine the problems and improvement potentials that they can accomplish to encourage advertisement development. This step helps increase overall profitability of an advertisement and can help improve advertisements in the future.

5.3 Sales Promotion

A sales promotion is a marketing strategy where a business will use short-term campaigns to spark interest and create demand for a product, service or other offers.

Sales promotions can have many objectives and ideal outcomes, which we will explore in detail throughout this article.

Primarily, sales promotions are used to motivate buying behavior or trigger an uptick in purchases in the short term, in order to reach a benchmark or goal. Although the immediate purpose of a sales promotion is an uptick in sales, there are plenty of other benefits to building out a strategic sales promotion technique with your marketing team.

5.4 Events & Experiences

Event marketing describes the process of developing a themed exhibit, display, or presentation to promote a product, service, cause, or organization. It leverages in-person engagement to connect with customers.

Events can occur online or offline. You can participate in, sponsor or host an event yourself. Using events as a marketing channel gives potential customers a unique, first than dinter action with your company, giving them a true sense of its focus, perspective and personality.

Event marketing can benefit your business in a variety of ways:

- Build brand presence before, during or after an event
- Generate leads
- Raise brand value
- Create new opportunities
- Promote a specific product or feature
- Increase customer engagement, satisfaction, and retention

Planning events can also give your partners and sponsors a tactical and visible engagement point to enforce their own return on investment (ROI).

Buyers now go about making purchasing decisions at their own rate, after careful consideration. As a marketer, you must be ready to seize every

opportunity to start a relationship, generate goodwill, and earn the trust of prospective customers.

While there are less time-consuming and costly methods of marketing out there, incorporating event marketing into your overall strategy can pay dividends when connecting with buyers on a meaningful level.

5.5 Public Relations & Publicity

Public relations (PR) is the process of maintaining a favourable image and building beneficial relationships between an organization and the public communities, groups, and people it serves. Unlike advertising, which tries to create favourable impressions through paid messages, public relations does not pay for attention and publicity. Instead, PR strives to earn a favourable image by drawing attention to newsworthy and attention-worthy activities of the organization and its customers. For this reason, PR is often referred to as "free advertising."

In fact, PR is not a costless form of promotion. It requires salaries to be paid to people who oversee and execute PR strategy. It also involves expenses associated with events, sponsorships and other PR-related activities.

The Purpose of Public Relations

Like advertising, public relations seeks to promote organizations, products, services, and brands. But PR activities also play an important role in identifying and building relationships with influential individuals and groups responsible for shaping market perceptions in the industry or product category where an organization operates. Public relations efforts strive to do the following:

- Build and maintain a positive image
- Inform target audiences about positive associations with a product, service, brand, or organization
- Maintain good relationships with influencers–the people who strongly influence the opinions of target audiences
- Generate goodwill among consumers, the media, and other target audiences by raising the organization's profile
- Stimulate demand for a product, service, idea, or organization
- Head off critical or unfavourable media coverage

5.6 Direct Marketing

Direct marketing is a type of advertising that seeks to achieve a specific action among a selected group of consumers (such as placing an order, visiting a website, or requesting information). The method of communication by the advertiser or marketer can take many different formats, like direct mail, telemarketing, or through social ads. One of the most interesting methods is direct **email marketing.**

An essential aspect of direct marketing is that the **consumer response is measurable.** For example, if you offer a discount for an online store, you should include some kind of cookie or pixel to let you know if the user has used the code.

Direct marketing allows you to promote your product or service directly to your target audience and measure the results quickly, but the benefits go far beyond the 6 outlined below.

1. High segmentation and targeting:

You can reach your specific audience segments with personalized messages. To be successful, you should invest time in researching and identifying the consumers who are most likely to convert.

2. Optimize your marketing budget:

Targeting online direct marketing to a specific audience allows you to set realistic goals and improve sales on a tight budget. If you properly optimizeyour direct marketing campaign, you will achieve results with only a small percentage of the cost of traditional advertising.

3. Increase your sales with current and former clients:

Direct marketing lets you communicate with your current customers tokeep the relationship alive while continuing to bring value. It also allows youto get back in touch with old customers and generate new sales opportunities.

4. Upgrade your loyalty strategies:

Direct contact with your customers allows you to customize your promotions and email content to their needs. To maximize results, you can combine your direct marketing methods with your loyalty program.

5. Create new business opportunities:

Direct marketing allows you to adapt to market demands at all times and respond more effectively.

6. Tests and analyses the results:

Direct marketing campaigns give you the opportunity to measure your results and make decisions in real-time.

5.7 Interactive Marketing

Interactive marketing is a one-to-one marketing practice that centers on individual customer and prospects' actions. Interactive marketing involves marketing initiatives that are triggered by customers' behaviors and preferences;for this reason, it is a major shift from traditional campaign-based marketing efforts. A customer-centric strategy, interactive marketing involves reacting to customer actions and striving to meet their expectations and demands.

Types of Interactive Marketing

Interactive marketing includes many types of initiatives. Marketers may interact with customers via dynamic content such as visual storytelling, personalized content, layered information, and two-way interaction. No matter which type of interactive marketing initiative you implement, the goal is to make content engaging and relevant for customers.

- *Interactive Storytelling* – Marketers can seize opportunities to be as dynamic with content as possible; this may mean adding an animation or infographic to a blog post or creating native ads rooted in storytelling that incorporated mixed media elements. Break up long-form posts and advanced landing pages with text divisions, video and audio clips, and interactive components that allow sharing and discovering more information.

- *Personalized Content* – Use advanced technology to gain insights into customers' demographics, geographic data, lifecycle information, and more to deliver personalized, relevant content and offers. When you know as much as you can about your customers as individuals, you can create the most meaningful experiences for them. Customers will relate to the content more fully when it is personalized appropriately, and they will be more apt to interact with the content by sharing it.

- *Layered Information* – Educating customers has become a top priority for marketers, and interactive marketing is a smart way to layer in information for consumers by delivering detailed content in increments. Marketers have the ability to tell brand stories by providing snippets of information in easy-to-read quick takes and then delivering more detailed, informative content in other layers to audience members who want to know as much about a topic as possible.

- *Two-Way Interaction* – Two-way interaction initiatives are at the heart of interactive marketing because they give consumers a vehicle for active participation. For example, interactive tools such as quizzes, calculators, branching content, games, and interactive videos provide a more powerful experience for the audience.

5.8 Word of Mouth Marketing and Personal Selling Word

of mouth marketing:

Word-of-mouth marketing (or WOM marketing) is when a consumer's interest in a company's product or service is reflected in their daily dialogues. Essentially, it is free advertising triggered by customer experiences—and usually, something that goes beyond what they expected.

Word-of-mouth marketing can be encouraged through different publicity activities set up by companies or by having opportunities to encourage consumer-to-consumer and consumer-to-marketer communications. Also referred to as "word-of-mouth advertising," WOM marketing includes buzz, viral, blog, emotional, and social media marketing.

- Word-of-mouth marketing (WOM marketing) happens when consumers talk about a company's product or service to their friends, family, and to others with whom they have close relationships.

- WOM marketing is one of the most powerful forms of advertising as 88% of consumers trust their friends' recommendations over traditional media.

- Companies can encourage WOM marketing by exceeding expectations on a product, providing good customer service, and giving exclusive information to consumers.

- The Word of Mouth Marketing Association (WOMMA) cites the best word-of-mouth marketing strategies as being honest, credible, social, repeatable, measurable, and respectful.

- WOM marketing includes various marketing techniques, such as buzz, blogs, and social media marketing.

Eighty-eight percent of people around the world said they trust recommendations from friends and family (earned media) above all other forms of advertising. This shows just how effective word-of-mouth marketing can be.1

Consumers are more emotionally bonded to a company when they feel they are listened to by the company. That is why many companies will have sales representatives discuss their products and services with consumers personally or through a feedback phone line. This kind of interaction, as well as promotional events, can stimulate conversations about a company's product.

There is a significant temptation to fabricate word-of-mouth marketing. Accordingly, the Word of Mouth Marketing Association (WOMMA) crafted a code of ethics checklist for the industry, advising that the best word-of-mouth marketing strategies are credible, social, repeatable, measurable, and respectful, and there is no excuse for dishonesty.2

WOM marketing expert Andy Sernovitz has boiled down WOMMA's code of ethics into three key rules to avoid issues:

- Say who you are representing (always disclose a relationship)

- Say only what you believe (be honest with an opinion)

- Never lie about who you are (be honest about your identity)

Personal Selling:

Personal selling is also known as the act of convincing a customer to buy a given product or device. It is also considered to be one of the most costly and effective promotional methods that are ever seen. It is effective as there is a face-to-face interaction observed between the seller and the buyer which helps the seller to change their promotional techniques used as the situation asks for. If you have been wanting to know more about Personal Selling - Concept, Importance, Advantages, and Limitations then now you can check out this article through Vedantu to get a detailed view on personal selling and the concepts that are involved.

Personal Selling is yet another type of selling initiative by the business companies, a way to persuade the local people to try their products. Personal Selling is surely one of the distinctive methods which are used by the selling strategists to achieve their goal of selling a destined quantity of sales.

Personal selling is face-to-face selling where one person who is the salesman tries to convince the customer to buy a product assigned by the company. It is a promotional activity by which the salesperson uses his or her skills and abilities to persuade people to buy the product thereby in an attempt to make a sale.

Here, the salesperson tries to highlight the features of the product to convince the customer that the product will hold benefits in the long term. However, getting a customer to buy a product is not always the motive behind personal selling, this personal selling is also done to make the customers aware of new products in the market.

5.9 Factors affecting the promotion mix.

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

1. Nature of Product:

The **different type of product** requires different promotional tools. Such as, for the industrial products Viz. Machinery, equipment or land personal selling is more appropriate as a great deal of pre-sale and after-sale services is required to sell and install such products. On the other hand, advertising and publicity are more suitable for the consumer goods, especially the convenience goods.

2. Nature of Market:

The **number and location of customers** greatly influence the promotion mix. In case the group of potential customers is small and are concentrated in a particular locality, then personal selling is more likely to be effective. Whereas, if the customer base is large and widespread, then the blend of advertising, personal selling, and the sales promotion is required to sell the product.

Also, the type of customers influences the managerial decisions of the promotion mix. The type of promotion for the urban, educated and institutional customers would be different as compared to the rural, illiterate and household customers.

3. Stage of Product's Life:

The promotion mix changes as the product moves along its life cycle. During the introduction stage, the principal objective of the promotion is to create the primary demand by emphasizing the product's features, utility, etc. therefore, the blend of advertising and publicity is required. As the product reaches its maturity stage the advertising and personal selling is required to maintain the demand of the customers.

And finally, during the decline stage the expenses on other promotional activities are cut, and more emphasis is laid on sales promotion with the intent to push up the declining sales.

4. Availability of Funds:

The marketing budget also decides the promotion mix. If the funds available for the promotion are large, then the blend of promotional tools can be used, whereas in the case the funds are limited then the management must choose the promotional tool wisely.

5. Nature of Technique:

Each element of the promotional mix has unique features that significantly influences the purpose of promotion. Such as, the advertising is an impersonal mode of communication that reaches a large group of customers. Its expression can be amplified with the use of colors and sound that helps in developing the long lasting brand image in the minds of the customer.

The Personal selling involves face to face interaction that helps in developing cordial and personal relations with the customers. Likewise, the sales promotion is short-term incentives given to the customers with the intent to boost sales for a shorter period of time.

6. Promotional Strategy:

The promotion mix **largely depends on the company's promotional strategy**, i. e. whether it accepts the **Push Strategy** or a **Pull Strategy**. In a Pushstrategy, the manufacturer forces the dealers to carry the product and promote it to the customer, i.e. convince the potential buyers to buy it. Here, personal sellingand trade promotion are likely to be more effective.

In the case of a Pull Strategy, the consumers ask the dealers to carry the product, i.e. customers themselves purchase the product. Here, advertising and consumer promotion are more appropriate.

7. Readiness of Buyer:

Different promotional tools are required at **different stages of buyer readiness.** Such as, at the comprehension stage, the blend of advertising and personal selling plays a vital role. Whereas at the conviction stage, personal selling is more effective. At the time of sales closure, the blend of sales promotionand personal selling is likely to be more effective.