

MBA – I

Semester I

Subject: Basics of Marketing

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UNIT 1



Introduction to Marketing

Objective Outline

1

What Is Marketing

Define marketing and outline the steps in the marketing process.

2

Understanding the Marketplace and Customer Needs

Explain the importance of understanding customers and the marketplace and identify the five core marketplace concepts.

What Is Marketing?



Simplest
definition



Marketing is
managing profitable
customer
relationships.

Attract new
customers by
promising superior
value

Keep and grow
current customers
by delivering
satisfaction.

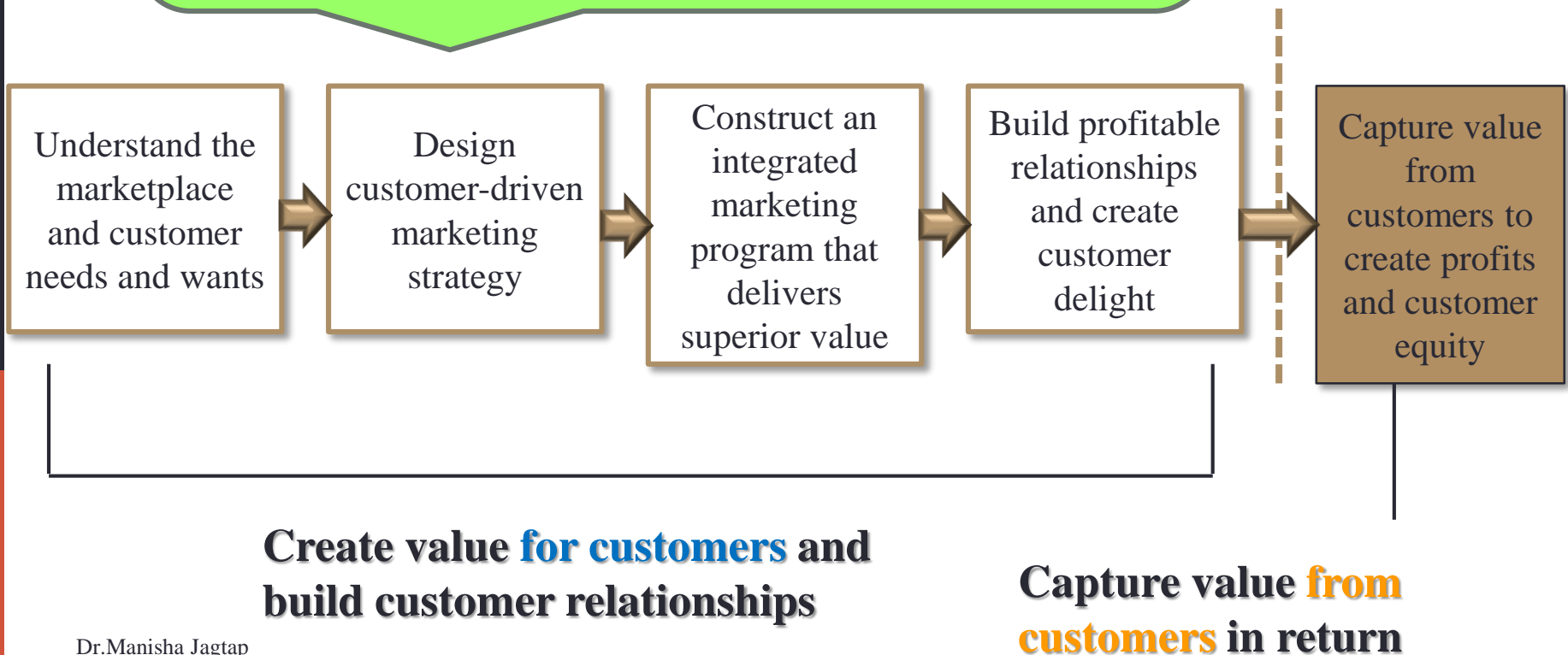
Marketing Defined

Broadly defined, marketing is a social and managerial process by which individuals and organizations obtain what they need and want through creating and exchanging value with others.

We define marketing as a process by which companies create value for customers and build strong customer relationships to capture value from customers in return.

Marketing Process

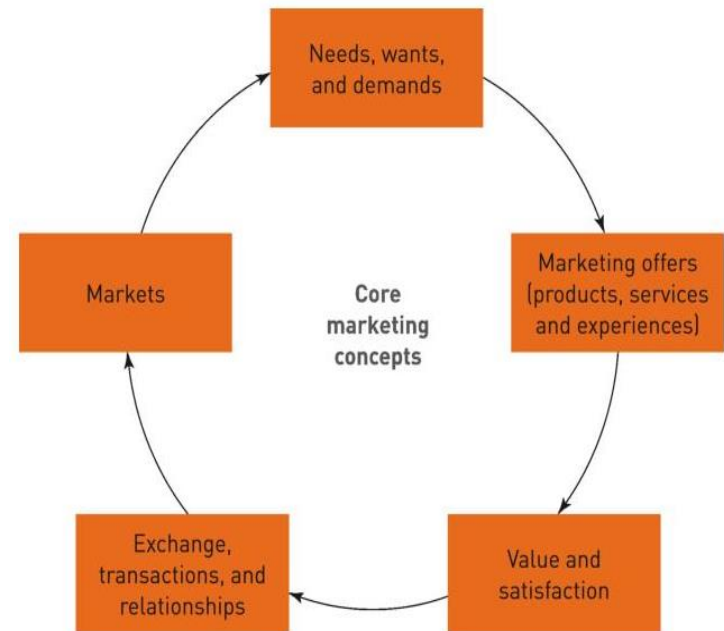
This important figure shows marketing in a nutshell. By creating value for customers, marketers capture value from customers in return. This five-step process forms the marketing framework for the rest of the chapter and the remainder of the text.



Core Marketing Concepts

To explain marketing definition, we examine the core concepts of marketing :

- Needs, wants, and demands
- Products and services
- Value, satisfaction and quality
- Exchange, transactions, and relationships
- Markets



1. Needs, Wants, and Demands

Needs:

- The most basic concept underlying marketing is that of human needs.
- Human needs are states of felt deprivation.
- Human have many complex needs:
 - Physical needs for food, clothing, warmth, and safety
 - Social needs or belonging and affection
 - Individual needs for knowledge and self – expression

Wants:

- Want are the form taken by human needs as they are shaped by culture and individual personality.
- People have almost unlimited wants but limited resources.
- They want to choose products that provide the most value and satisfaction for their money.

Demands:

- When backed by buying power, wants become demands.
- Consumers view products as bundles of benefits and choose products that give them the best bundle for their money.

2. Market Offerings-Products & Services

Product:

- Anything that can be offered to a market to satisfy a need or want.
- The concept of product is not limited to physical objects – anything capable of satisfying a need can be called a product.

Services:

- In addition to tangible goods, products also include services, which are activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything.

2. Market Offerings-Products & Services

- **Market offerings** are some combination of products, services, information, or experiences offered to a market to satisfy a need or a want.

Places

Goods

Properties

Services

Organizations

Experiences

Information

Events

Ideas

Persons

3. Values, Satisfaction, and Quality

Values:

- Customer value is the difference between the values the customer gains from owning and using a product and the costs of obtaining the products.
- Customers often do not judge product value and costs accurately or objectively. They act on perceived value.

Satisfaction:

- Customer satisfaction depends on a product's perceived performance in delivering value relative to a buyer's expectation.
- If the product's performance falls short of the customer's expectations, the buyer is dissatisfied.

Quality:

- Customer satisfaction is closely linked to quality.
- Quality has a direct impact on product performance.
- Quality can be defined as “freedom from defects”.
- TQM programs designed to constantly improve the quality of products, services, and marketing processes.



4. Exchange, Transactions, and Relationships

Exchange :

- The act of obtaining a desired object from someone by offering something in return



Transaction :

- A trade between two parties that involves at least two things of value, agreed – upon conditions a time of agreement, and a place of agreement.

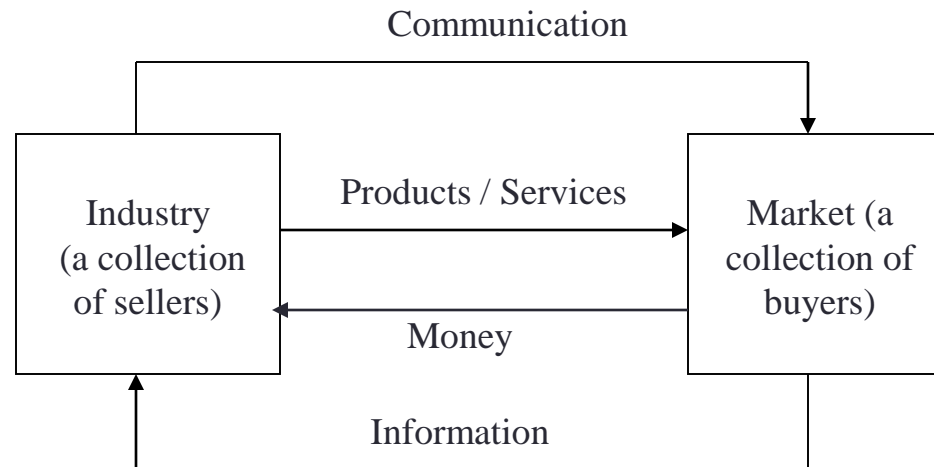
Relationship marketing :

- The process of creating, maintaining, and enhancing strong, value – laden relationships with customers and other stakeholders



5. Markets

The set of all actual and potential buyers of a product or service



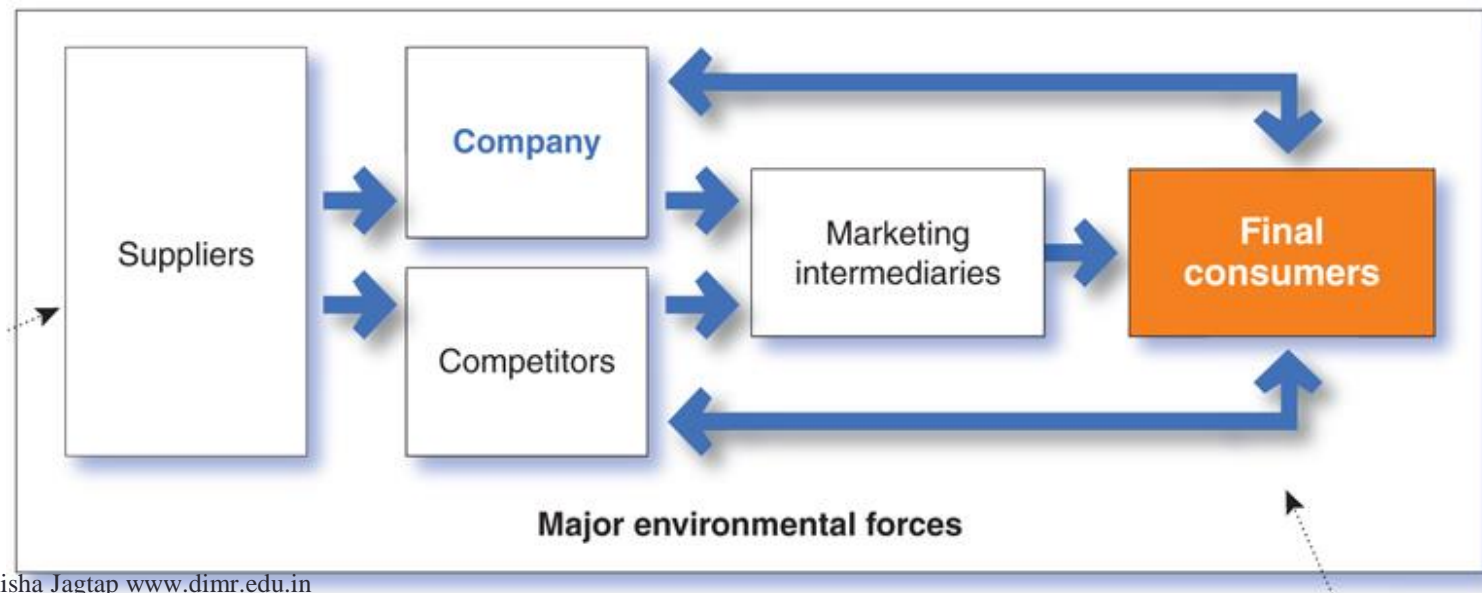
A simple marketing system

5. Market Types

- Consumer Markets.
- Industrial/Business to Business Markets.
- Reseller (Retailers, Distributors) Markets.
- Publics (Government agencies/departments/institutions).
- International/Global Markets.

5. Markets

- Each party in the system adds value. Walmart cannot fulfill its promise of low prices unless its suppliers provide low costs. Ford cannot deliver a high-quality car-ownership experience unless its dealers provide outstanding service.
- Arrows represent relationships that must be developed and managed to create customers value and profitable customer relationships.



5. Markets

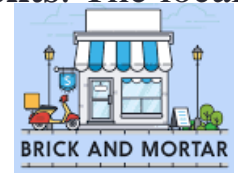
● Marketplaces, Marketspaces and Metamarkets

1. **Marketplaces** are physical markets or shops or stores. The market places has presence of companies which manufacture their own products.
2. **Marketspaces** are Digital Shops or Shopping websites. The online market space with websites such as Ebay, Amazon and others is known as Market spaces. These sites do not have offline products. They only sell others products online.
3. **Metamarkets** are closely related markets from the customer point of view but are different set of industries.
 - **For example**, Take an example of **99acres.com** – a real estate portal. It brings together buyers and sellers or real estate. **Yatra.com** brings together the travelers and the travel providers. **Shaadi.com** brings the marriage service providers and the groom/brides family together. Thus both Yatra.com and 99acres.com are meta markets for real estate and travelers respectively.

5. Markets

● Brick-and-Mortar

The term "brick-and-mortar" refers to a **traditional street-side business that offers products and services to its customers face-to-face in an office or store that the business owns or rents**. The local grocery store and the corner bank are examples of brick-and-mortar companies.



● Brick-and-Click

Bricks and clicks is a term for a business model by which a company integrates both **offline (bricks)** which means shops and stores plus **online (clicks) presences**.

PC world is an **example** of Bricks and Clicks which has both offline and online presence. It provides a range of electronic products but focuses on computers. It is very popular and has numerous stores worldwide. It provides an online e-business system for its customers and clients; to purchase the products online, the customers need to create an account on the stores website.



● Digital Markets

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.



Marketing Management Orientations



An organisation focus (and subsequently its marketing) is centred around five key categories, classified into the following orientation groups: Production orientation, product orientation, selling orientation, societal orientation and market orientation.

These approaches dictate the priorities and processes existent within the organisation, and perhaps more importantly, the manner in which the organisation takes its core offering to market and how it empowers its marketing teams.

Marketing Management Orientations



The Production Concept

The **production concept** holds that consumers will favor products that are available and highly affordable.

The Production Concept

- A production orientated organisation commonly operates a mass production model and streamlines this production process for its product offering. This orientation approach assumes that its customers value price, and therefore, it focuses on lowering production costs to meet such price needs of this customer base.
- This price is believed to form the main value proposition of the production orientation organisation's key offering, focusing its resources towards operations and positioning its key marketing communications on price-based messages.
- This assumption that **price is king**, however, isn't always indicative of the needs and wants of the target audience as the approach does not require learning anything about the customer base. It assumes that its customers want the cheapest product available and will strive to realize this price.
- **Advantages:** Economies of scale, efficiency, low cost to customers.
- **Disadvantages:** Disregards customer needs, set-up costs are usually high.

Marketing Management Orientations

The
Production
Concept

The
Product
Concept

The
Selling
Concept

The
Marketing
Concept

The
Societal
Marketing
Concept

The Product Concept

The **product concept** holds that consumers will favor products that offer the most quality, performance, and features. Focus is on continuous product improvements.

The Product Concept

- It is sometimes assumed that a product orientation approach is similar to a production orientation approach. But it is exactly the opposite. This approach to business concerns its products and continually improving and refining them so that the product can always be superior to that of its competitors. So, as the previous orientation was centered around price, product orientation is centered around quality, which often increases the price.
- Premium products fall into this category, but the approach does not always offer what its target audience actually wants or considers the factors that the audience uses to form its purchasing decision.
- **Quality** – and therefore a product orientated organisation – often does not consider external factors, and focuses on manufacturing a high-quality, premium product that is superior within the market it operates and competes within.
- **Advantages:** Focus on quality, innovation, skills development/outourcing.
- **Disadvantages:** Potential missed market opportunities, obsolescence.

Marketing Management Orientations



The Selling Concept

The **selling concept** holds that consumers will not buy enough of the firm's products unless it undertakes a large scale selling and promotion effort

The Selling Concept

- A selling orientated organisation focuses majority of its resources on selling its products and services to its target audience. In a way, it does prioritise its customers but not in a sense of listening to their needs and wants – **it simply wants to sell to them.**
- Existing products are usually given to the selling teams and they are tasked to finding buyers to those products, wherever and whoever they may be. Many organisation's will feel they are not selling enough of their products and will, therefore, adopt selling orientated techniques to focus the organisation on selling more and building on its profit margins.
- Disregarding customer needs in this way, and adopting aggressive outbound selling techniques, is an approach that rarely works in the long term. This is especially the case now that the general “customer” (regardless of industry) is more empowered than ever and appreciates relationships within the selling processes, especially within the B2B Pharma sectors. That said, this isn't to say that organisation's cannot be successful with this approach. The inbound selling/marketing approach has emerged as attractive in modern-day selling orientated organisation's.
- **Advantages:** Immediate short-term selling are generated.
- **Disadvantages:** Risks customer confidence, costs, not always sustainable.

Marketing Management Orientations

**The
Production
Concept**

**The
Product
Concept**

**The
Selling
Concept**

**The
Marketing
Concept**

**The Societal
Marketing
Concept**

The Marketing Concept

The **marketing concept** depends on knowing the needs and wants of the target markets and delivering the desired satisfactions better than competitors do.

The Marketing Concept

- A **marketing orientated** organisation looks at the market and its target audience first, before any production or sales activities takes place, to learn what potential customers want from organisation's. The product or service offering is therefore created with the customer in mind, resulting in a true **customer-first approach**.
- Market orientation, in marketing strategy terms, commonly revolves around culture, values and other internal behaviour focused on satisfying customer needs that are usually well-researched prior.
- Although this clearly has its benefits, it can also come at a cost to organisations as it usually puts organisations on the back foot, always reacting to customer demands rather than predicting or shaping them with innovative products and services. This said, most markets are moving more towards a marketing-orientated approach as customers have more and more access to information about what they are looking to buy.
- **Advantages:** Customer satisfaction, loyalty, continual investment in research.
- **Disadvantages:** Reactive, not always innovative, market always changing.

Marketing Management Orientations

- The **selling concept** takes an **inside-out** view that focuses on existing products and heavy selling. The aim is to sell what the company makes rather than making what the customer wants.
- The **marketing concept** takes an **outside-in** view that focuses on satisfying customer needs as a path to profits. As South-west Airlines' colorful founder puts it, "We don't have a marketing department, we have a customer department."



Marketing Management Orientations



The Societal Marketing Concept

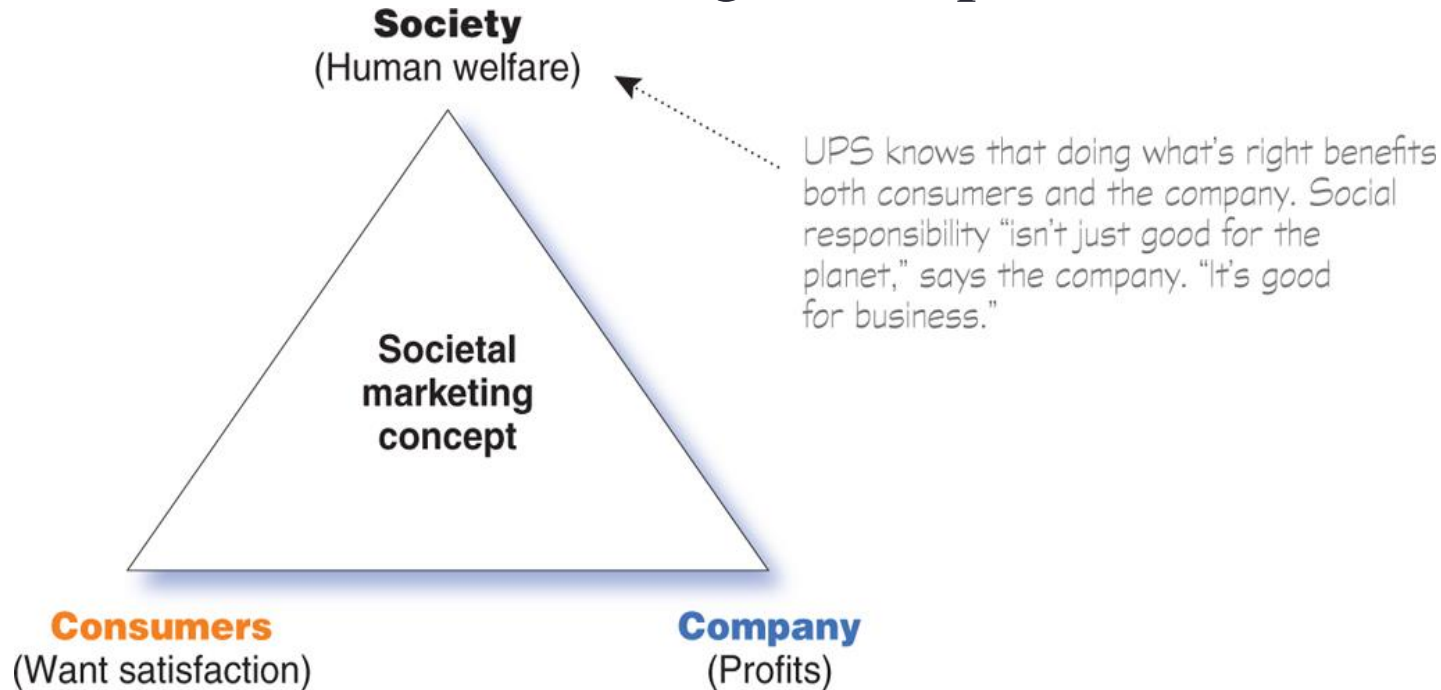
The **societal marketing concept** holds that marketing strategy should deliver value to customers in a way that maintains or improves both the consumer's and society's well-being.

The Societal Marketing Concept

- As people generally become more aware of their environments, the world and the societies they live within, the societal orientation approach has emerged, giving organisation's a new organizational philosophy.
- The societal orientation organisation, considering its product, process and its marketing, to an extent, focuses on the impact its organisation and products has within the societies it operates within, as well as the wider environment. Ethical considerations in this manner have become highly popular within the pharmaceutical and life science industries.
- In competitive markets, however, this approach can be challenging to sustain – especially for small to medium size organisation's where profits and customer satisfaction can affect how it can execute the environmental and societal orientation approach.
- **Advantages:** Image is enhanced, appeals to upcoming markets, ethical.
- **Disadvantages:** Marketing message is sometimes distorted, limited budget.

Marketing Management Orientations

● The Societal Marketing Concept



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A food for thought

- **Which marketing orientation approach best represents your organisation?**

These marketing orientation approaches to business – and marketing – are all present within today's business landscapes, but they are also representative of how business and marketing thinking has changed within the last 100 years.

In some industries, shifting from the production approach (Ford Motor Co.) to a product approach (Apple) to a sales approach (Amazon) to a market approach (Google) to now a societal approach (The Body Shop).

All examples of successful organisations.

Concept of Marketing Myopia

- **Marketing Myopia**, first expressed in an article by **Theodore Levitt in Harvard Business Review**, is a short-sighted and inward-looking approach to marketing that focuses on fulfilment of immediate needs of the company rather than focusing on marketing from consumers' point of view.
- When a company focuses more on sales than on marketing or consumers' needs, that's when marketing myopia strikes in. A brand focusing on the development of high-quality products for customers who disregard quality and only focus on the price is a classic example of marketing myopia.

Marketing myopia strikes in when the short term marketing goals are given more importance than the long term goals.

Some examples are:

- More focus on selling rather than building relationships with the customers.
- Predicting growth without conducting proper research.
- Mass production without knowing the demand.
- Giving importance to just one aspect of the marketing attributes without focusing on what the customer actually wants.
- Not changing with the dynamic consumer environment.

Concept of Marketing Myopia



Examples Of Marketing Myopia

Here are some companies that are suffering from or have suffered from marketing myopia

- Kodak lost much of its share to Sony cameras when digital cameras boomed and Kodak didn't plan for it.
- Nokia losing its marketing share to android and IOS.
- Hollywood didn't even tap the television market as it was focused just on movies.
- Yahoo! (worth \$100 billion dollars in 2000) lost to Google and was bought by Verizon at approx. \$5 billion (2016).

Marketing Myopia in future

- **Dry cleaners** – New types of fiber and chemicals will result in less demand for dry cleaners.
- **Grocery stores** – A shift to the digital lifestyle will make grocery stores to disappear.
- **Facebook:** With the new GDPR and data privacy rules, Facebook will either need to change its business model or it will have to close its business.

Functions of Marketing

- Buying
- Selling
- Transporting
- Storing
- Grading
- Financing
- Marketing research
- Risk-taking

The Changing Marketing Landscape

- This section have five major developments:

**The Changing
Marketing
Landscape**

The Digital Age

**The Growth of Not-
for-Profit Marketing**

Rapid Globalization

**Sustainable Marketing
— The Call for More
Social Responsibility**

The Changing Economic Environment

- The Great Recession caused many consumers to rethink their spending priorities and cut back on their buying.
- In adjusting to the new economy, companies slash prices in an effort to coax more frugal customers into opening their wallets.
- The challenge is to balance the brand's value proposition with the current times while also enhancing its long-term equity.



The Digital Age

- The digital age has provided marketers with exciting new ways to learn about and track customers and create products and services tailored to individual customer needs.
- Online marketing is now the fastest-growing form of marketing.



The Growth of Not-for-profit Marketing

- In recent years, marketing has also become a major part of the strategies of many not-for-profit organizations, such as colleges, hospitals, museums, zoos, symphony orchestras, and even churches.
- Government agencies have also shown an increased interest in marketing.



Rapid Globalization

- Today, almost every company, large or small, is touched in some way by global competition.
- Managers in countries around the world are increasingly taking a global, not just local, view of the company's industry, competitors, and opportunities.



Sustainable Marketing — The Call for More Social Responsibility

- As the worldwide consumerism and environmentalism movements mature, today's marketers are being called on to develop sustainable marketing practices.
- Corporate ethics and social responsibility have become hot topics for almost every business.

遠見

企業社會責任獎 2009 第五屆 遠見雜誌

用CSR(企業社會責任) · 重塑台灣企業競爭力!

活動緣起 徵選辦法 歷屆得獎企業 企業社會責任入門手冊 最新報導

回首頁

3/23 用CSR · 逆境創優勢講座


2005年~2009年 CSR 歷屆得獎企業 得獎企業名單

2009年第五屆遠見雜誌企業社會責任大調查 得獎企業名單

隨著道德、環保、消費者意識高漲，企業社會責任已成為國際最熱門的話題，在良性的競爭中，公佈本屆脫穎而出的得獎名單，共計十六家得獎企業：（依筆畫順序）

2009年 第五屆		
科技業A組	首獎	楷模獎
	台積電	友達光電 英業達
科技業B組	首獎	楷模獎
	合勤科技	旺宏科技
傳產產業組	首獎	楷模獎
	裕隆汽車	統一企業
服務業組	首獎	楷模獎
	信義房屋	統一超商 中華電信
上櫃企業組	首獎	楷模獎
	全家便利商店	普萊德科技 沈氏藝術印刷
	首獎	楷模獎
	台灣拜耳	台灣IBM 渣打銀行

patagonia environmental initiatives



1% percent for the planet



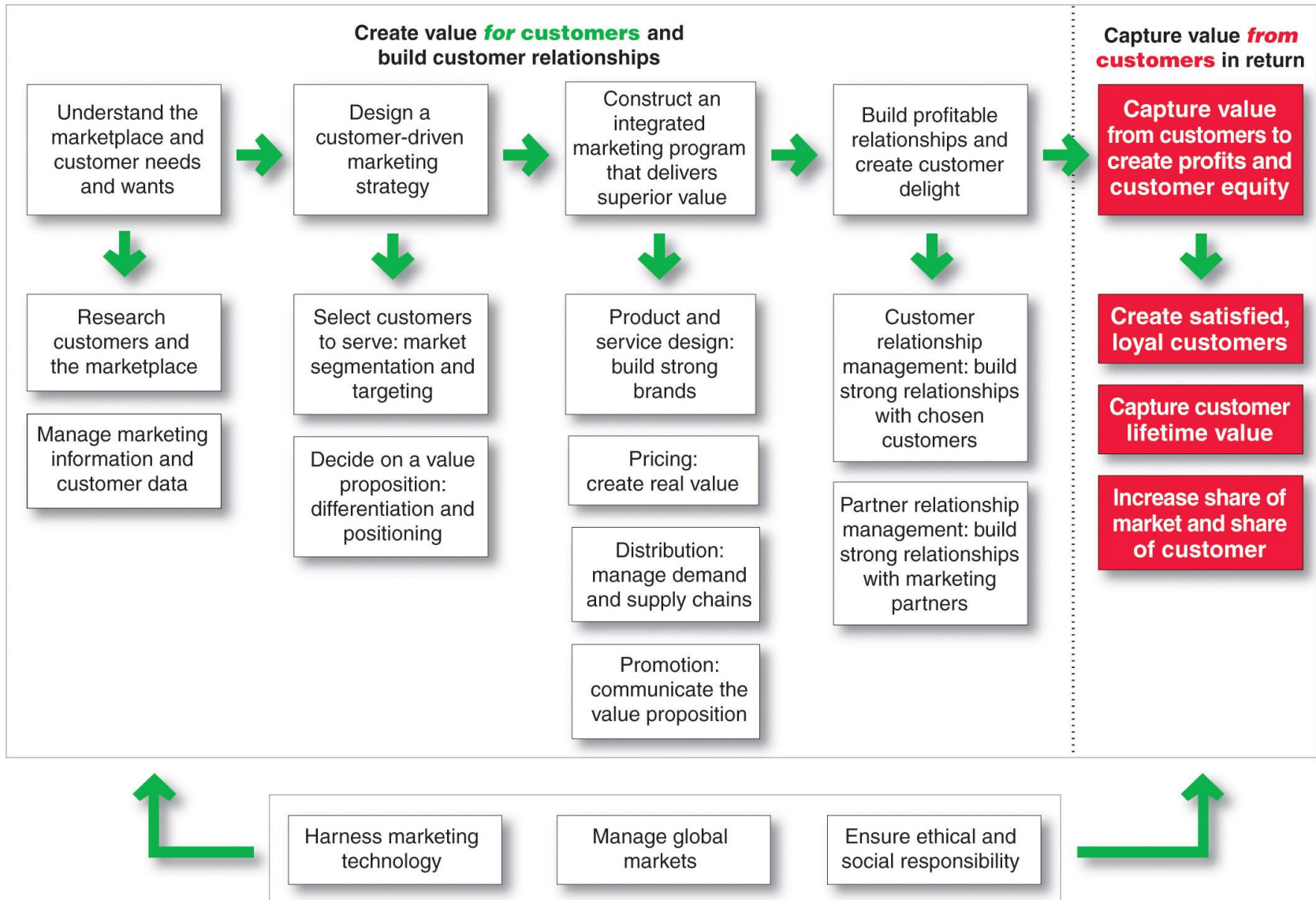
Founded in 2002 by Yvon Chouinard and Craig Matthews, 1% for the Planet has grown from a small group of early adopters to a vibrant and varied worldwide network of companies. The organization's mission is to build and support an alliance of businesses financially committed to creating a healthy planet. It's a simple formula - companies like Patagonia pledge to give away 1% of sales each year to grassroots environmental organizations. Sales - not profits - is the big differentiator. These companies acknowledge that doing right by the planet makes good business sense, profit is no profit.

In what proved to be a watershed year, the organization now has some 1,287 members in 37 countries and on six continents. And the pace continues. On average, they are signing up one new member a day. Despite the economic downturn, 1% increased its network giving this year by 30% to more than \$1.5 billion! Since its founding, member companies have given \$45 million away to environmental organizations.

One Percent for the Planet is enabling businesses to take a lead role in environmental stewardship and set an example for the rest of the business community. The environmental challenges we face are enormous. The need for businesses to lead the way is even bigger. One Percent for the Planet offers a simple, tangible and powerful way for the business community to be a part of the solution.

You can get involved right now by going to onepercentfortheplanet.org. Check out their new film and download One Percent for the Planet, The Movie, Vol. 1. It's a musical compilation of 40 original and exclusive tracks by artists supporting 1% for the Planet. onepercentfortheplanet.org

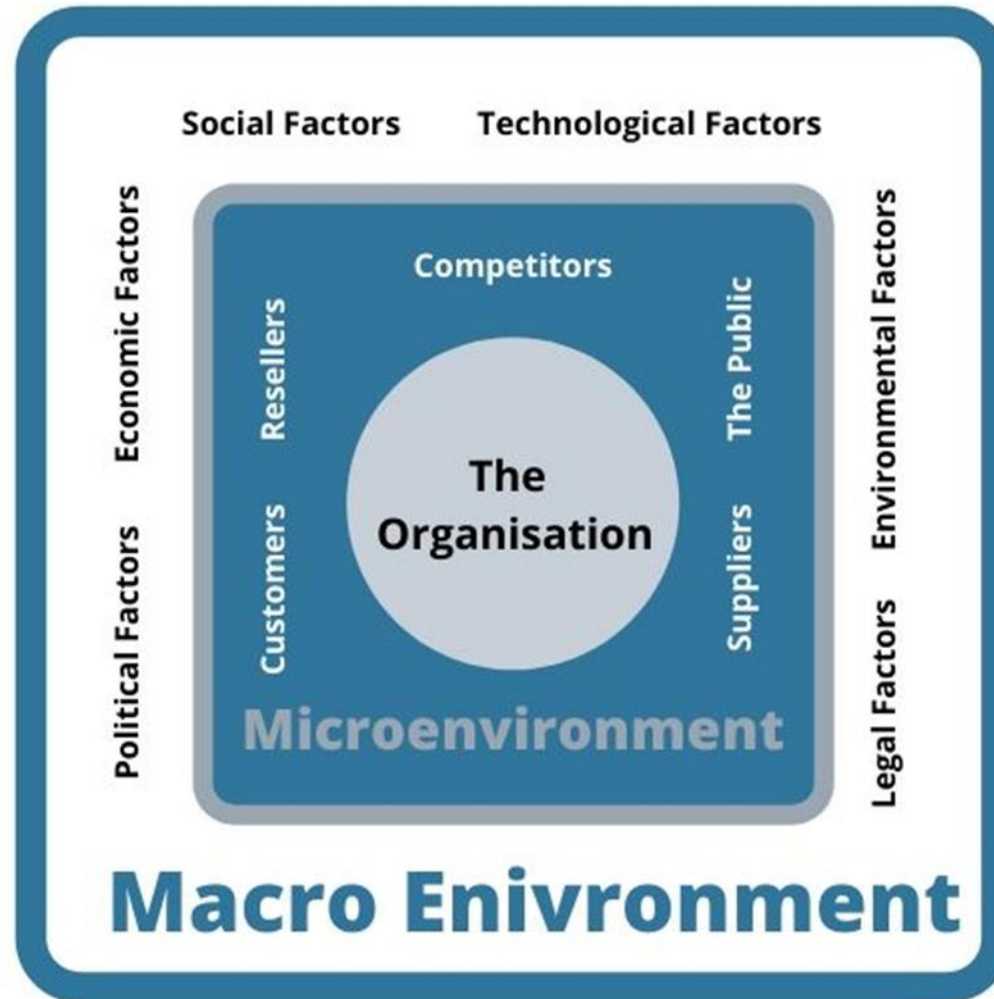
So, What Is Marketing? Pulling It All Together



Chapter 1

The End

Chapter 2: Marketing Environment



What Is Marketing Environment?

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

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

Components Of Marketing Environment



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

Components Of Marketing Environment



- **Internal Environment**

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

- **Men:** The people of the organisation including both skilled and unskilled workers.
- **Minutes:** Time taken for the processes of the business to complete.
- **Machinery:** Equipment required by the business to facilitate or complete the processes.
- **Materials:** The factors of production or supplies required by the business to complete the processes or production.
- **Money:** Money is the financial resource used to purchase machinery, materials, , and pay the employees.

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

Components Of Marketing Environment



- **External Environment**

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

- Micro marketing environment
- Macro marketing environment

Micro marketing environment

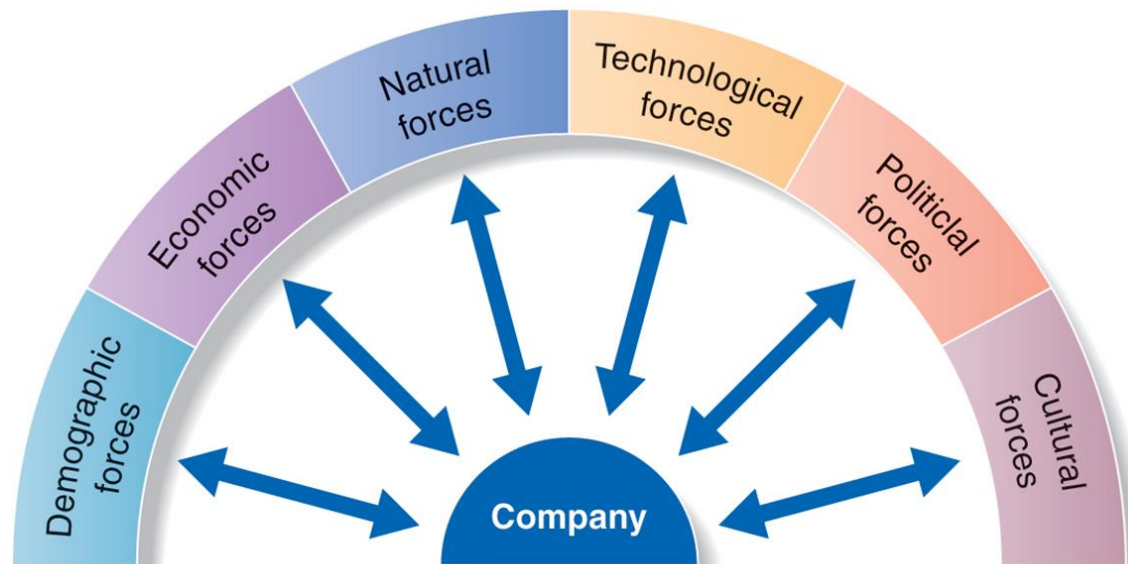
The micro-component of the external environment is also known as the task environment. It comprises external forces and factors that are directly related to the business. These include suppliers, market intermediaries, customers, partners, competitors and the public

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



Macro Environment

- The macro component of the marketing environment is also known as the broad environment. It constitutes the external factors and forces which affect the industry as a whole but don't have a direct effect on the business. The macro-environment can be divided into 6 parts.



Macro Environment

1. Demographic Environment

- The demographic environment is made up of the people who constitute the market. It is characterised as the factual investigation and segregation of the population according to their size, density, location, age, gender, race, and occupation.
- Demographic forces relate to people. The name refers to the term Demography. The latter refers to the study of human populations. This includes size, density, age, gender, occupation and other statistics. Why are people important? Because, on the whole, their needs is the reason for businesses to exist. In other words, people are the driving force for the development of markets. The large and diverse demographics both offer opportunities but also challenges for businesses. Especially in times of rapid world population growth, and overall demographic changes, the study of people is crucial for marketers. The reason is that changing demographics mean changing markets. Further, changing markets mean a need for adjusted marketing strategies.
- Therefore, marketers should keep a close eye on demographics. This may include all kinds of characteristics of the population, such as size, growth, density, age- and gender structure, and so on.

Macro Environment

1. Demographic Environment

- **For instance**, if the target market of your product is middle-aged and about 60 people. Then you have to study the trends of different countries, where people are living a long and happy life. Once you know that, only then you would be able to find and target your audience.
- **For instance**, if your target audience belongs to a certain ethnic group in the whole population, then demography would be the most suitable option.

Some of the most important demographic trends that affect markets are:

- **World population growth**
- **Changing age structure**
- **Changing family structures**
- **Geographic shifts in population**

Macro Environment

2. Economic Environment

- The economic environment constitutes factors that influence customers' purchasing power and spending patterns. These factors include the GDP, GNP, interest rates, inflation, income distribution, government funding and subsidies, and other major economic variables.
- **For instance**, a company should never start exporting to a country before having examined how much people will be able to spend. Important criteria are: GDP, GDP real growth rate, GNI, Import Duty rate and selling tax/ VAT, Unemployment, Inflation, Disposable personal income, and Spending patterns.

3. Ecological/ Physical Environment

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

- Nowadays, the world has become very cautious about the scarcity of natural resources. Ecology also falls under the category of macro-environment, and it's a very important one. Soil fertility, air pollution, weather and climate, and territory flatness are some of the common ecological concerns in the macro-environment of any country.
- For instance, global warming is the most significant prevailing issue of our time. It doesn't matter wherever your target market is. Global warming and rising sea level would affect everyone worldwide. That's why you've to manufacture products accordingly.
- Because of all these concerns and the increased involvement of society in ecological issues, companies more than ever before need to consider and implement environmental sustainability. This means that they should contribute to supporting the environment, for instance by using renewable energy sources. Thereby, businesses do not only support the maintenance of a green planet, but also respond to consumer demands for environmentally friendly and responsible products.

Macro Environment

4. Technological Environment

- The technological environment constitutes innovation, research and development in technology, technological alternatives, innovation inducements also technological barriers to smooth operation. Technology is one of the biggest sources of threats and opportunities for the organization and it is very dynamic.
- The world of **technology** is very intense, crucial, and competitive nowadays. It has great growth potential. Technological infrastructure for research and development plays a huge role in the macro-environment. It also tells us the technological environment in a certain country.
- **For instance**, you have a business of developing Software and Mobile Application. You're planning to launch software or a mobile app in some countries. Therefore, it's important to know the technological environment of the country. Whether you should translate the application or not; it depends on the tech culture and preferences of the people.



5. Political-Legal Environment

- The political & legal environment includes laws and government's policies prevailing in the country. It also includes other pressure groups and agencies which influence or limit the working of the industry and/or the business in the society.
- When we talk about international trade, policies, and business, then political stability plays a very important role. It tells us many things like the socio-cultural values of any country.
- **For instance**, we live in an interconnected world. If the country of your organization doesn't have any geographic and regional agreement with a certain country, then it's highly probable that you have to pay heavy import taxes. It would impact your whole budget and brand visibility later on. In some cases, it becomes almost impossible to impossible to conduct and run various operations of your business in some political environment. Like protest, procession, roadblocks, etc.
- Laws and regulations are also very important in the macro-environment if you're doing your business globally. You have to abide by the laws of the land where you're planning to go. There's so much diversity around the world. You would be surprised to know that something is legal in one country, but it isn't in the other.
- **For instance**, blockchain and crypto currency is the latest form of a digital asset in the world. Some countries like Switzerland and Malta have established laws and regulations about crypto currency. If you have to hold and trade digital financial assets, then you should know where it's legal and it's not. It's because some countries haven't established the laws for crypto currency and other digital assets.

Macro Environment

6. Social-Cultural Environment

- The social-cultural aspect of the macro-environment is made up of the lifestyle, values, culture, prejudice and beliefs of the people. This differs in different regions.
- The Socio-Cultural forces link to factors that affect society's basic values, preferences and behavior. The basis for these factors is formed by the fact that people are part of a society and cultural group that shape their beliefs and values. Many cultural blunders occur due to the failure of businesses in understanding foreign cultures.
- **For instance**, symbols may carry a negative meaning in another culture.
- Socio-cultural aspect also talks about the eating habits of the people. As an example, people living in the western world prefer to have high protein food like beef, ham, etc. which is why their burgers come in that fashion. However, people living in the tropics live on chicken, mutton and eggs so do their burgers. Hence, eating habit and consumption pattern reveals a lot about the probable likes, dislikes, and preferences of consumers.

IMPORTANCE OF ENVIRONMENTAL ANALYSIS



1.It creates an increased general awareness of environmental changes on the part of management

2. It guides with greater effectiveness in matters relating to Government.

3. It helps in Marketing Analysis

4. It suggests improvements in diversification and resource allocations

5.It helps firms to identify and capitalise upon opportunities rather than losing out to competitors.

6.It provides a base of objective qualitative information about the business environment that can subsequently be of value in designing the strategies.

7.It provides a continuing broad-based education for executives in general, and the strategists in particular.

Ending note

- As we have seen, the company is surrounded by a complex environment. The Macro Environment consists of a large variety of different forces. All of these may shape opportunities for the company, but could also pose threats. Therefore, it is of critical importance that marketers understand the six forces of the Macro Environment. Also, you should always have an eye on the development of the Macro Environment, to make your business grow in the long term.

Chapter 2

The End

Chapter 3

Segmentation, Target Marketing & Positioning

Segmentation, targeting, and positioning (often referred to as segmentation-targeting-positioning or **STP** marketing) is a consumer-centric approach to marketing communications. The STP model helps deliver more relevant, personalized messages to target audiences. An important element of the marketing process is the value creation stage. Value creation begins with the process of **STP**.



What Is the STP Marketing Model?



The STP Marketing Model can help you to **analyze** your **product offering** and the way you **communicate** its benefits and value to **specific groups**.

STP stands for:

- Segment your market.
- Target your best customers.
- Position your offering.

Market Segmentation

- Identify basis for segmentation
- Determine important characteristics of each market segment



Market Targeting

- Evaluate potential and commercial attractiveness of each segments
- Select one or more segments



Product Positioning

- Develop detailed product positioning for selected segments
- Develop a marketing mix for each selected segment

The model is useful because it helps you to identify your most valuable types of customer, and then develop products and marketing messages tailored to them. This allows you to engage with each target group more effectively, personalize your messaging, and – ultimately – increase your selling.

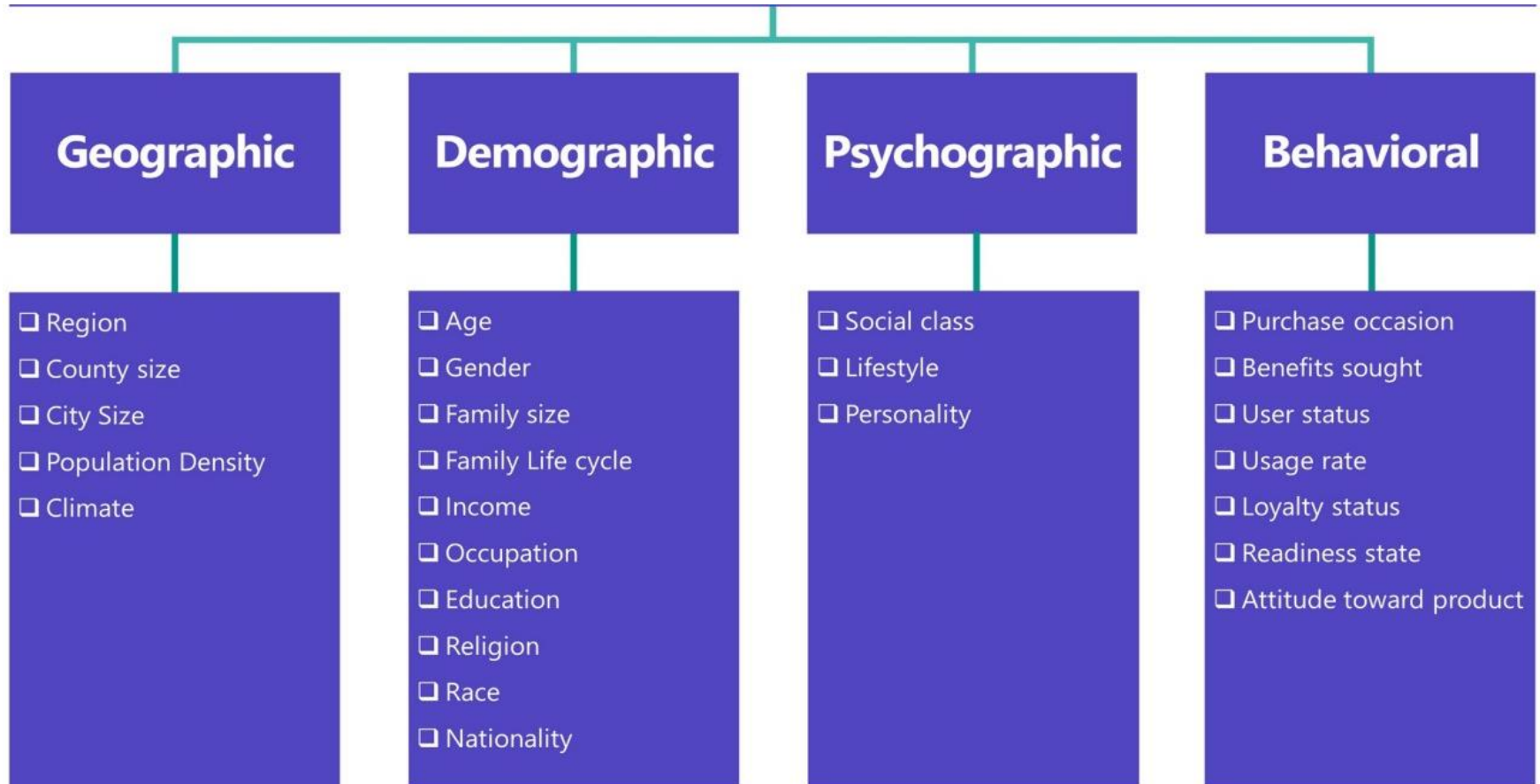
The marketing concept relies upon marketing research to define market segments, their size, and their needs. To satisfy those needs, the marketing team makes decisions about the controllable parameters of the marketing mix.

Segmentation

- **Segmentation** refers to the process of **dividing your audience** into smaller groups based on certain **characteristics**.
- This process allows you to group your individual audience members into similar groups so you can better communicate your products, features, and benefits that may be most relevant to them.



Bases for market segmentation



Bases for market segmentation

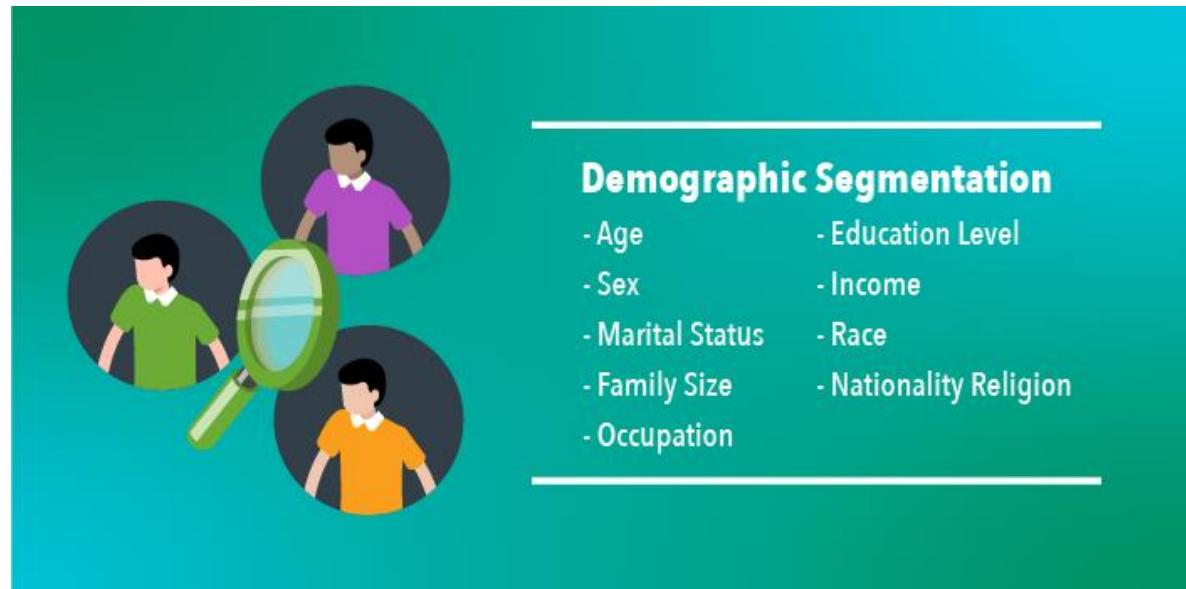
- **Geographic segmentation** — dividing the market into different geographical units such as nations, states, regions, countries, and cities. The company can operate in one or a few areas, or operate in all but pay attention to local variations.

Geographic Segmentation,
splitting up your market based on
their location, is a basic but highly
useful segmentation strategy



Bases for market segmentation

- **Demographic segmentation** — the market is divided into groups on the basis of variables such as age, family size, family life cycle, gender, income, occupation, education, religion, race, generation, social class and nationality. The consumer needs, wants, and usage rates and product and brand preferences are often associated with demographic variables.



Bases for market segmentation

- **Psychographic segmentation** — the market is divided into different groups on the basis of psychological/personality traits, lifestyle or values. The people within the same demographic group can exhibit very different psychographic profiles.

Psychographic Segmentation is similar to demographic segmentation,
but it deals with characteristics that are
more mental and emotional.



Behavioral segmentation



- Behavioral segmentation is the process of grouping customers according to their behavior when making purchasing decisions.
- Market researchers are in charge of observing aspects such as readiness to buy, i.e. the knowledge they have about the product, level of loyalty, interactions with your brand or product usage experience, etc.

Behavioral segmentation is responsible for grouping consumers as follows:

- **Occasion-oriented behavioral segmentation:** It refers to when a product is purchased for a particular occasion, it may be something that is repeated or never happens again.
- **Usage-oriented:** This refers to the number of times the consumer uses the product. It can be heavy, moderate, or minor usage.
- **Loyalty-oriented:** This type of segmentation is focused on customer retention rates. When the brand has a high level of loyalty, it does not have to worry about acquiring new customers.
- **Benefit-oriented:** There are certain benefits that people look for when purchasing a product. They look for availability, different varieties, or prices that meet their needs. However, there are customers who are looking for the product to give them the maximum benefit.

Behavioral Segmentation

- Online shopping habits
- Actions taken on a website
- Benefits sought
- Loyalty



Bases for market segmentation

- **Behavioral segmentation** – buyers are divided into groups on the basis of their knowledge of, attitude toward, use of, or response to a product. Behavioral variables are occasions, benefits, user status, usage rate, loyalty status, buyer readiness stage, and attitude.
- **Occasions** – day, week, month and year.
- **User status** – nonusers, ex-users, potential users, first time users and regular users.
- **Usage rate** – light, medium, heavy product users
- **Buyer –readiness stage** – unaware of the product, aware of the product, informed about the product, interested about the product, desire about the product, intended to buy the product.
- **Loyalty stage** – hard-core loyal, split loyal, shifting loyal, switchers.

Criteria for successful market segmentation:



- **Identifiability and measurability:** - the company should clearly define and group the buyers. The inputs for this purpose are demographic, social, cultural and other data about members. This is known as identification. As for measurement is concerned, the data should permit the measurement of size, potential benefits etc.
- **Scope for sizeable market potential:** - the marketer should forecast and estimate the actual or potential need of the segment members. The factors considered are purchasing power, taste and preferences, ability to convert potential market into relatives, income, savings, credit plans etc.
- **Easy accessibility:** -these should be a search for enough similarity among buyer for the purpose of availing cost-benefits.
- **Reaction of marketing strategy:** - it should make differential response to the marketing efforts rendered.
- **Stability:** - the segments must be large enough to permit a viable market efforts directed towards them.
- **Flexibility:** - the market segmentation should not be static because as and when marketing environment changes the segment need to be altered.
- **Nature of demand:** - the market should be segmented based on the nature of demand for a product. The demand for a product may be elastic or inelastic.

Example of Segmentation

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

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

Market Potential

- Whenever we launch a new product or a service, we fear whether it has enough **market potential**. It is known very well that you need to **calculate market potential** before you launch a product or a service. **Market potential** is the entire size of the market for a product at a specific time. It represents the upper limits of the market for a product.
- **Market potential** is the valuation of the **sales revenue** from all the supplying channels in a market. Market potential is the population that is interested in the product/ service that is being made or offered by an organization.
- In other words, market potential is the potential money making capability of a firm if it capitalizes all advantages and everything goes its way. It is usually measured in sales units/sales volume or the potential revenue.

Example

- Let us see what is **market potential** of a **tablet PC** which has to be launched in a geography. It will depend on how many tech savvy individuals are there in the geography. It will depend on the overall population of that region. The other factor can be are tablet PCs already available in the market through existing competitors.
- The features of those tablet PCs would be critical in determining the market potential. Eventually based on multiple factors, it can be determined for example that 10000 tablet PCs would be sold in the year which can be 10,000,000\$ given price of each tablet is 1000\$.

Market Share

- **Market share** refers to the portion or percentage of a market earned by a company or an organization. In other words, a company's market share is its total sales in relation to the overall industry sales of the industry in which it operates.
- The **calculation of market share** takes into consideration a company's total sales over a particular time period and the total sales of the industry in which the company operates over that period.
- For example, the purchasing activity of consumers as a whole is 100 tubes of toothpaste, and a certain toothpaste maker sells 60 tubes. It implies that the company holds a 60% market share.



Different Levels of Market Segmentation

Complying with the market segmentation, a marketer can sub-group a large market to make his marketing efforts more approachable and impactful. There are different levels of market segmentation, each of them holds certain uniqueness that a marketer needs to be serious about while producing, promoting, or distributing products/services to target customers.

The primary levels of market segmentation are:

- 1. Mass Marketing**
- 2. Segment Marketing**
- 3. Niche Marketing**
- 4. Micro Marketing**
 - **Local marketing**
 - **Individual marketing**

Different Levels of Market Segmentation



1. Mass Marketing

In Segemetation, **Mass marketing** refers to the strategy of **targeting the entire potential customer market** by means of a single marketing message. The marketing strategy used in this segmentation does not target the specific requirements or needs of customers. Mass marketing strategy, instead of focusing on a subset of customers, focuses on the entire market segment that can be a probable customer of a product.

- An **example** of mass marketing strategy is of Baygon cockroach spray or Mortein mosquito repellent coils that target all its potential customers through a single marketing message.

Different Levels of Market Segmentation

2. Segment Marketing

Segment marketing refers to a strategy where the company divides its target audience into different segments based on their unique needs and requirements. This way the company targets different messages to different segments, appealing them towards the unique features the product offers. This strategy creates product differentiation for customers with similar needs and preferences, based on their gender, age, income and location.

- The **example** of segment marketing within clothing industry may be men, women, casual, fashionable and business clothing segments.

Different Levels of Market Segmentation

3. Niche Marketing

This strategy of marketing focuses on a narrower customer segmentation. Customers may want or desire a product that is not met completely by the products offered in a market. When companies move forward and develop highly specialized products to offer these customers their specific needs, they offer distinct products in a market that caters to specific customer segments only.

- Mountain bikes are an **example** of a **niche marketing segment**, where the **market segmentation** will be individuals interested in mountain biking only. Since not every bike manufacturing company caters to mountain bikers, it is a niche segment. Companies that produce mountain bikes target the niche segment of mountain bikers and cater to their specific needs, preferences and requirements.

Different Levels of Market Segmentation

4. Micro Marketing

Target at a very basic level of the market segment. Micro marketing follows an even narrower segmentation marketing strategy, catering to the attribute of a much-defined subset of potential customers such as catering to individuals of a specific geographical location or a very specific lifestyle. Just as a photographer zooms in on a subject, micro marketing takes a close-up picture of a niche market and then positions a product or service in a local market or even to certain individuals within that market.

Several types of micro marketing;

- **Local Marketing.**
- **Individual Marketing**

Different Levels of Market Segmentation



● Local marketing :

Micro-marketing involves targeting potential customers at a very basic level, such as postal code, specific occupation, or lifestyle. Local marketing focuses on brands and promotion to the needs and wants of local consumer and design marketing program according to the need of local consumer groups cities, neighborhoods and even specific stores.

Groupon and Amazon Local are excellent **examples** of local marketing. Both online services partner with local businesses to promote timely offers and special pricing for individuals living in a designated geographic area. Limited-time and limited-quantity deals may include restaurant meals, spa treatments, performances, recreational activities, lessons, hotel accommodations, and a wide variety of other local area products and services. These local marketing companies earn revenue when consumers purchase and redeem the special offers in their neighborhood or city. **Another example** are **farm cooperatives and CSAs** (community-supported agriculture shares), which virtually always use a local marketing strategy. They market locally grown produce and farm-fresh goods to people residing in the immediate community, and their ongoing goal is to increase local supply and demand for healthy, local, farm-fresh food and produce.

Different Levels of Market Segmentation

● Individual marketing

Micromarketing may even target individuals themselves. It is referred to as marketing to segments of one. In **individual marketing**, the marketer focuses on the satisfying the need and want of a single customer. It is a micro marketing strategy, also referred to as one-to-one marketing and customized marketing. Where a targeted customer is offered a customized or service.

It is like direct marketing, where the marketer individually visits, communicates, and offers his services to the target customer, or also by personalized messages. Mostly, this marketing is used in B2B marketing where more attention is given to market products.

Long Tail Marketing



It's a long-known fact that there has always been a limited shelf space. Retailers, wholesalers, and distributors only stock goods that have considerable demand in the market. Because stocking goods with low demand volume isn't profitable, right?

Well, it was true until the evolution of the internet, cloud storage, globalisation, and unlimited virtual shelf space.

Welcome the **long tail effect theory** which states that you can earn as much or even more than the usual profits if you appeal and cater to the niche markets instead of the broad market.

- Long tail marketing refers to the strategy of targeting a large number of niche markets with a product or service.
- It's mainly used by businesses that are dominated by a huge market leader.
- Facing a battle to grow, a company can shift their focus to multiple niche markets that have less demand.
- That might sound counterintuitive, since those low demand markets won't be as lucrative individually, but they might be when their total reach is combined.
- The long tail is a business strategy that allows companies to realize significant profits by selling low volumes of hard-to-find items to many customers, instead of only selling large volumes of a reduced number of popular items.
- The term was first coined in 2004 by researcher Chris Anderson.
- Anderson argues that these goods could actually increase in profitability because consumers are navigating away from mainstream markets.
- The strategy theorizes that consumers are shifting from mass-market buying to more niche or artisan buying.
- **For example** - most of us have shopped on Amazon, and you will have been recommended products.

That's long tail marketing. You may have been recommended products that are a little tenuous and have no real relation to anything you've bought, but, nevertheless it's an example of Amazon attacking multiple niches.

Long Tail Marketing



The economics of the long tail theory works in the following way –

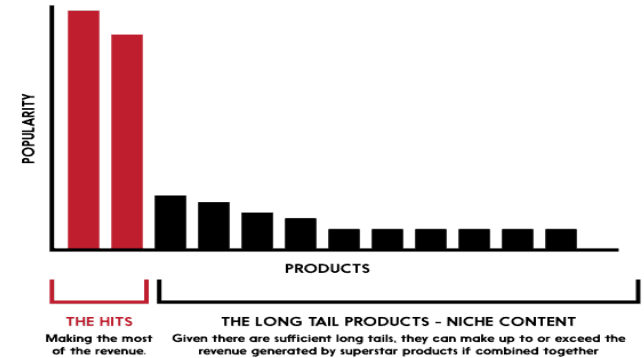
- While the superstar product makes most of the revenue, given there are considerable niche products, the long tail can equal or exceed it if combined together to serve the evolving market.

Let's look back a bit to explain it further –

- Before the advent of the internet, most of our demand was created by the limited supply itself. The lack of available information and the limited shelf space made most of our assumptions about popular taste the artefacts of inefficient supply and distribution.
- Then came the internet which gave rise to unique preferences of the individuals who started moving away from the popular trends. Since the globalization and the internet also made it possible to stock and distribute all the niche products which these individuals preferred, it gave rise to the long tail strategy.
- While the long tail looks like a strategy opposing the usual belief of high demand leads to more profits, it actually works on the same line. The long tail strategy believes in bundling up the demand for niche products and increasing the profits by capitalizing on it.

The long tail strategy has two applications –

- **To increase the customer lifetime value** by using long tail strategies like cross-selling and recommendations etc.
- **To stand out in the market and increase sales** by building a brand out of long tail products or just capitalizing on the untapped market.
- In simple terms, either you can focus on long tail offerings as add-ons to your superstar product, which will increase the customer lifetime value and attract more customers, or you can bundle up and just focus on the long tail offerings to compete with existing players and create a different positioning for yourself in the market.



Long Tail Examples & Applications



From e-commerce to entertainment platforms, the application of the long tail strategy isn't limited to any single niche.

1. eCommerce

- The long tail strategy works perfectly for eCommerce marketplaces like Amazon which makes 57% of its books sales from long-tail searches.
- Other than this, there is a rise of niche-oriented e-commerce stores like Etsy (for handmade and unique products), Redbubble (unique products from the artists), and many niche oriented Shopify stores which serve to long tail demands.

2. Entertainment Platforms

- While Netflix uses the popular super hits to get many people to subscribe to it, it's AI-powered personal recommendation system monitors the activities of the users to suggest them the long tail content according to their own needs. This makes them stay with Netflix for long and increases their lifetime value.
- Other than this, YouTube and other free streaming platforms are filled with niche-based content to cater to highly demanding customers.

3. Websites & Blogs

- Websites make use of the long tail strategy to optimize themselves for the search engines. They create a large number of pages to cater to every long tail keyword search related to their niche. **For example**, a website operating on an affiliate marketing business model in the smartphone niche may focus on all the possible keywords related to smartphones. These can be –
 - Best smartphones under \$500,
 - Best smartphones under \$600,
 - Best smartphones under \$700,
 - Best smartphones under \$1000,
- These will lead to more traffic than compared to just writing a post on Best smartphones under \$1000. The website can also take an approach of reviewing individual smartphones to increase its traffic even more.
- A perfect example of a website using such long-tail marketing strategy is **Lifewire**.

4. Customized & Personalized Goods

- New customized goods stores have become a reality just to capitalize on the unique and personalized needs of the target market. These customized goods companies make use of technology to develop or print products on-demand based on the need of even a single customer.
- 3D printing companies and customized gifts companies make use of this highly targeted niche segment.

Targeting



The selection of potential customers to whom a business wishes to sell products or services. The targeting strategy involves segmenting the market, choosing which segments of the market are appropriate, and determining the products that will be offered in each segment. A business offering multiple products can determine if the various segments should receive one generic product (such as in mass marketing), or if each segment should receive a customized product (multi-segment), based upon the market's diversity, maturity, the level of competition and the volume of selling expected. Also called targeting.

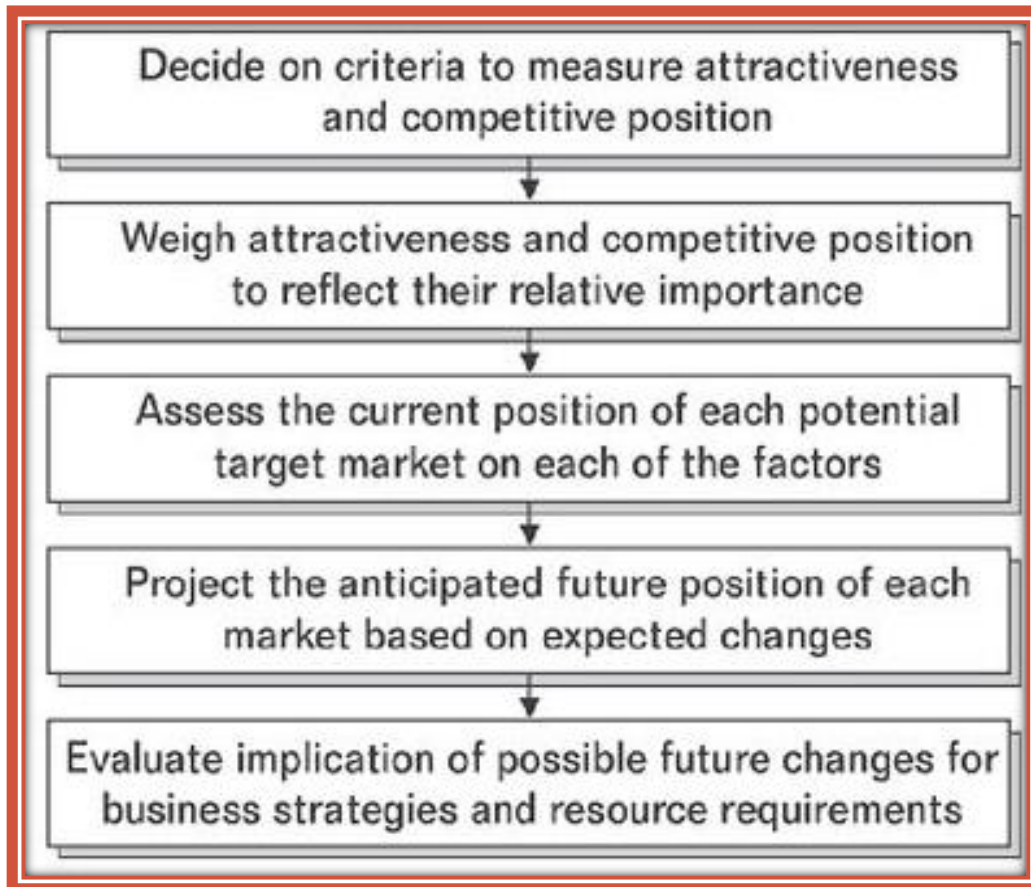
The second step is **market targeting**—evaluating each market segment's attractiveness and selecting one or more of the market segments to enter. In evaluating different market segments, a firm must look at 3 factors:

- **Segment size and growth:** Analyze current segment selling, growth rates, and expected profitability.
- **Segment structural attractiveness:** Level of competition, Substitute products, Power of buyers, and Powerful suppliers.
- **Company objectives and resources:** Examine company skills & resources needed to succeed in that segment. Offer superior value & gain advantages over competitors.

After evaluating different segments, the company must now decide which and how many segments it will target. The target market consists of buyers sharing common needs or characteristics that the company decides to serve.

Market Targeting

- Steps in the evaluation of potential target markets



Example of Targeting

The Quest Travel Company analyzes the profits, revenue and market size of each of its segments. These are its findings:

- Segment A has profits of Rs.8,220,000.
- Segment B has profits of Rs.4,360,000.
- Segment C has profits of Rs.3,430,000.

So, it decides to focus on Segment A, after confirming that the segment size is big enough (it's estimated to be worth Rs.220,000,000/year.)

Positioning

The third step is market positioning. Beyond deciding which segments of the market it will target, the company must decide what positions it wants to occupy in those segments.

- **Develop the positioning for each target segment**

For all selected target segments, a brand needs to define itself by the attributes that consumers care about. A product's position is the way the product is defined by consumers on important attributes. Again we can say that the place the product occupies in consumers' minds relative to competing products.

- **Develop a marketing mix for each target segment**

Positioning involves implanting the brand's unique benefits and differentiation in customers' minds and setting the brand's marketing mix in a way that attracts customers more than the competition.

What is Market Positioning?

Marketing positioning involves arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers, which is accomplished through formulating competitive positioning for a product and a detailed marketing mix.



DIFFERENTIATION AND POSITIONING:

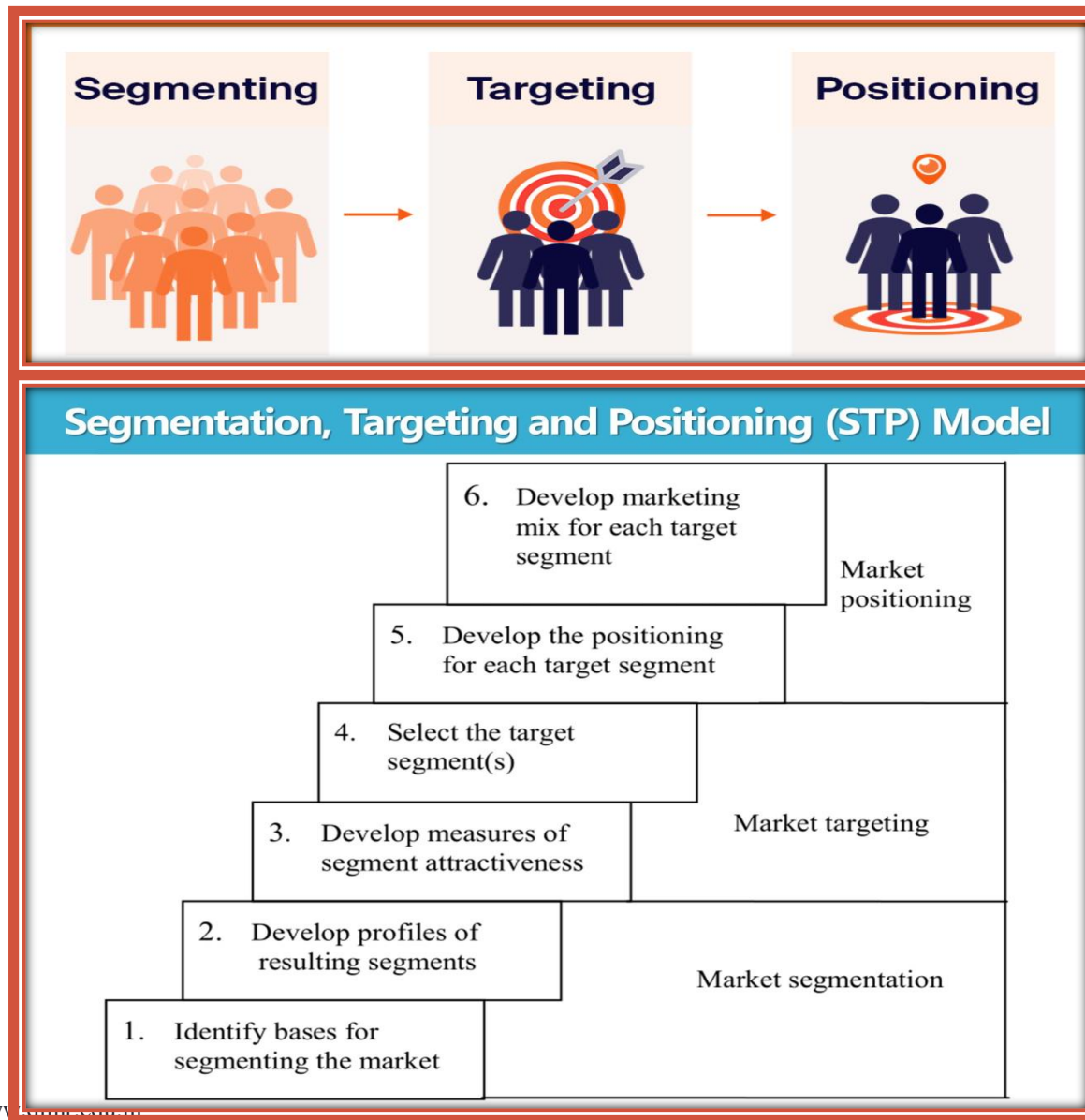
- Positioning is the battle for a place in the consumer's mind. Positioning means owning a credible and profitable position in the consumer's mind, either by getting there first or by adopting a position relative to the competition. Positioning depends on differentiation, by which we actually differ our product from competing ones so that it gives consumers more value. After the
- Company has chosen the desired position, it can take the steps necessary to deliver and communicate that position to target customers by differentiation.
- **For example**, Porsche is positioned as a performance car. BMW is positioned as a luxury car.

Marketers can adopt various positioning strategies.



- Products can be positioned on **specific product attributes** – For example, Sunsilk keeps hair soft and shining.
- Products can be positioned on the needs they satisfy or the **benefits** they give – For example, Peps Flouride prevents tooth decay.
- Products can also be positioned on **usage occasions** – For example, no Eid without Banoful vermicelli.
- Products can also be positioned for certain **classes of users** –For example, Lifebuoy for athletes.
- A product can also be positioned **against a competing product**. For example, in its ads, Citibank VISA compares itself directly with American Express, saying, “You’d better take your VISA card because they don’t take American Express.”
- Another approach is to position the product **away from competing products**. For many years, 7-up has positioned itself as the “Un-cola,” the fresh and thirst-quenching alternative to Coke and Pepsi.
- Products are also positioned for **different product classes**. For example, some hair creams are positioned against hair oils. Marketers often use a combination of the strategies discussed above.

End of Chapter 2



Chapter 4

Consumer Buying Behavior

Consumer Market

Consists of all the individuals and households who buy or acquire goods and services for personal consumption.

Difference between Consumer & Customer

CONSUMER	CUSTOMER
End-user of a product	May, or may not be the end-user of the product.
May, or may not be the purchaser of the product.	The purchaser of the product
The user of the product for own use	May be a reseller of the product
Monetary transactions are not mandatory	Monetary transactions are mandatory.

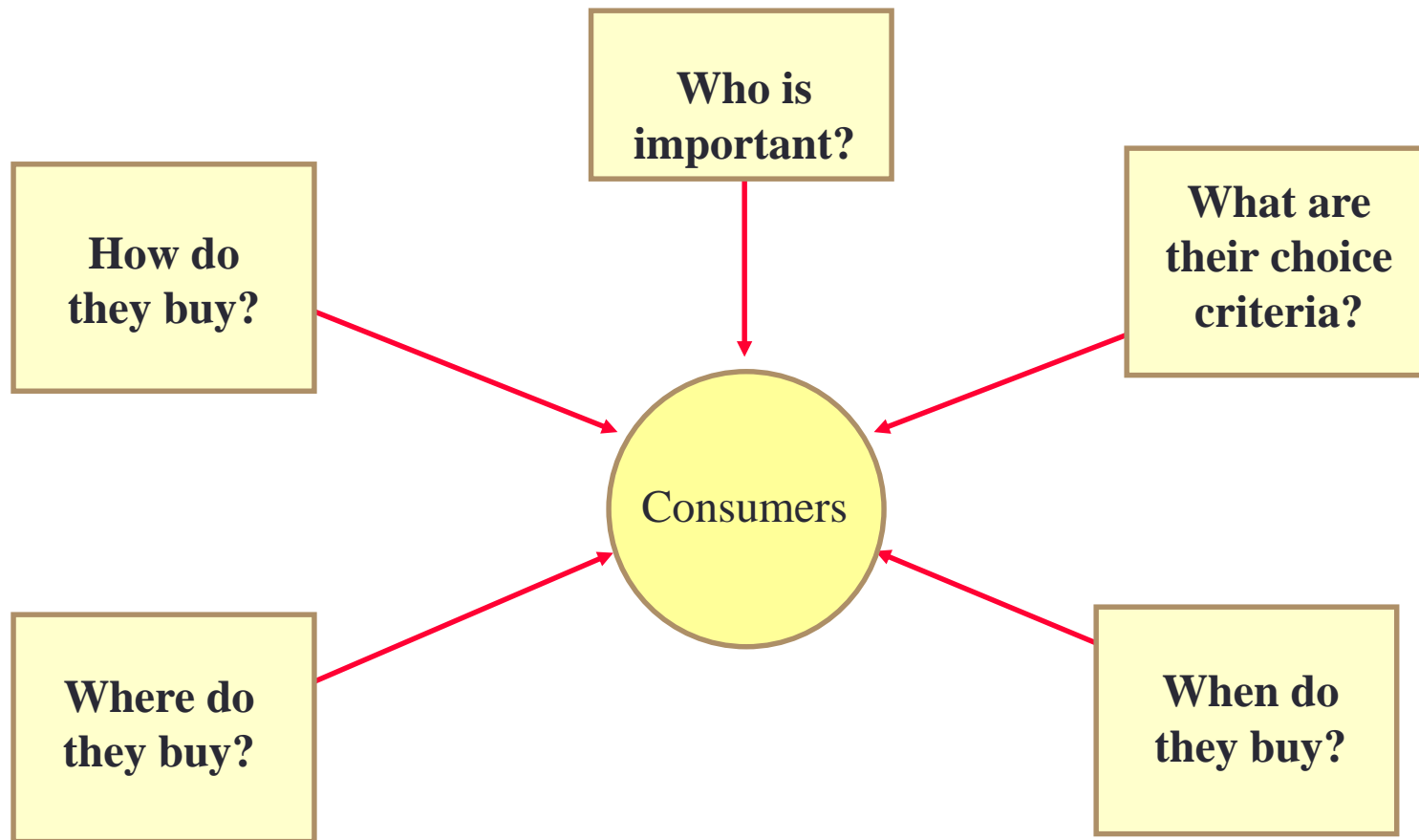
Buying Behavior

The decision processes and acts of people involved in buying and using products.

Consumer Buying Behavior

The decision processes and purchasing activities of people who purchase products for personal or household use and not for business purposes.

Understanding Consumers



The Buyer Decision Process

Five stages in the buyer decision process

1. Need recognition
2. Information search
3. Evaluation of alternatives
4. Purchase decision
5. Post-purchase behavior

The Buyer Decision Process

1. Need Recognition

Need recognition occurs when the buyer recognizes a problem or need triggered by:

- Internal stimuli
- External stimuli

The Buyer Decision Process

Step 1. Need Recognition



Need Recognition

Buyer Recognizes a Problem or Need

Internal Stimuli

- **Hunger**
- **Thirst**
- **A person's normal needs**

External Stimuli

- **TV advertising**
- **Magazine advert**
- **Radio slogan**
- **Stimuli in the environment**

The Buyer Decision Process

2. Information Search

Information search is the amount of information needed in the buying process and depends on the strength of the drive, the amount of information you start with, the ease of obtaining the information, the value placed on the additional information, and the satisfaction from searching

The Buyer Decision Process

2. Information Search

Sources of information:

Personal sources—family and friends

Commercial sources—advertising, Internet

Public sources—mass media, consumer organizations

Experiential sources—handling, examining, using the product

The Buyer Decision Process

3. Evaluation of Alternatives

Evaluation of alternatives is how the consumer processes information to arrive at brand choices

Table 3.1 Choice criteria used when evaluating alternatives

Type of criteria	Examples
Technical	Reliability Durability Performance Style/looks Comfort Delivery Convenience Taste
Economic	Price Value for money Running costs Residual value Life cycle costs
Social	Status Social belonging Convention Fashion
Personal	Self-image Risk reduction Morals Emotions

The Buyer Decision Process

4. Purchase Decision

The purchase decision is the act by the consumer to buy the most preferred brand

The purchase decision can be affected by:

- Attitudes of others
- Unexpected situational factors

The Buyer Decision Process

5. Post-Purchase Decision

The post-purchase decision is the satisfaction or dissatisfaction the consumer feels about the purchase

Relationship between:

- Consumer's expectations
- Product's perceived performance

The Buyer Decision Process

5.Post-Purchase Decision

The larger the gap between expectation and performance, the greater the consumer's dissatisfaction

Cognitive dissonance is the discomfort caused by a post-purchase conflict

The Buyer Decision Process



5. Post-Purchase Decision

CUSTOMER SATISFACTION

Customer satisfaction is a key to building profitable relationships with consumers—to keeping and growing consumers and reaping their customer lifetime value. The purchase evaluation process is potentially influenced by post-purchase dissonance, product usage, and product disposition. Satisfaction generally occurs when the use of the product fulfills the expectations of meeting instrumental and symbolic needs. When these needs are not met, dissatisfaction occurs.

POST PURCHASE DISSONANCE

Some purchases are followed by a phenomenon called ‘post-purchase dissonance’ or ‘cognitive dissonance’. This occurs when a consumer doubts the wisdom of purchase he or she has made occurs at Point of Sale. This is a common consumer reaction after making a difficult, relatively permanent decision. Doubt or Anxiety referred as post-purchase dissonance.

Moment of Truth & Zero Moment of Truth

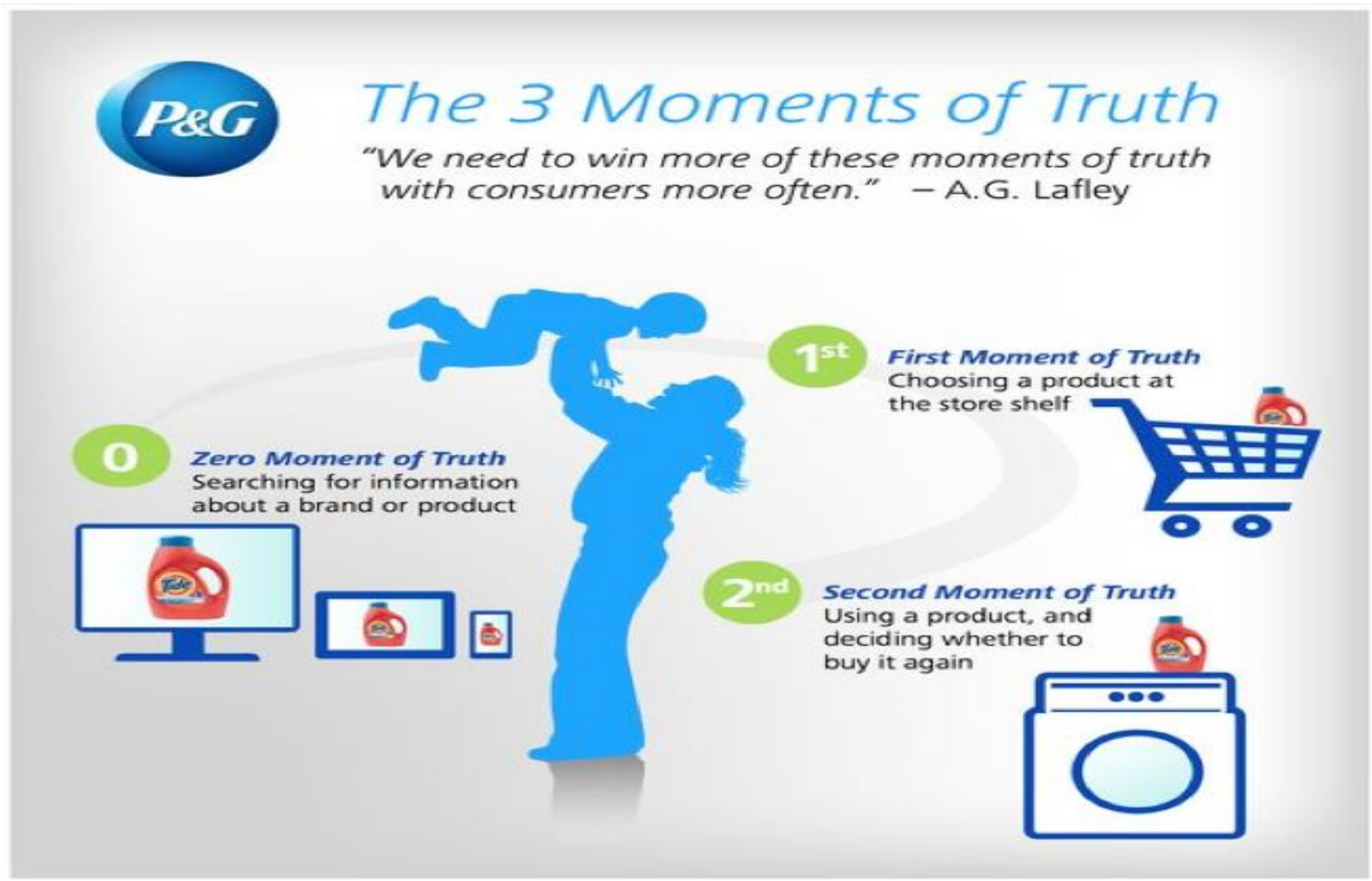
Moment of Truth

- A moment of truth is usually defined as an instance wherein the customer and the organization come into contact with one another in a manner that gives the customer an opportunity to either form or change an impression about the firm.
- Such an interaction could occur through the product of the firm, its service offering or both. Various instances could constitute a moment of truth - such as greeting the customer, handling customer queries or complaints, promoting special offers or giving discounts and the closing of the interaction.

Zero Moment of Truth (ZMOT)

- The consumer generally researches a brand, product, or service in the online market to decide so that he can make a purchase or reject that product. This is the first point of contact, and the interaction happens before a consumer makes a purchase and is known as zero moments of truth (ZMOT).
- The concept of ZMOT has been introduced to the world by **Google** and describes the point when the online customer starts searching for information about a service, product, or brand of his interests. The customers visit reviews and feedback before moving forward.

Moment of Truth & Zero Moment of Truth



Consumer Decision Making



● Consumer-side



Consumer Decision Making



● Consumer-side



● Marketer-side



Consumer buying roles



- ***Initiator***
 - Person who first suggests or thinks of the idea of buying a particular product.
- ***Influencer***
 - A person whose views or advice will influence the product
- ***Decider***
 - Buying decision maker of the product
- ***Buyer***
 - Ultimate purchaser
- ***User***
 - Ultimate user

Levels Of Consumer Decision Making



The consumer decision making process is complex with varying degree. All purchase decisions do not require extensive effort. On continuum of effort ranging from very high to very low, it can be distinguished into three specific levels of consumer decision making:

1 **Extensive/Extended Problem Solving (EPS)** : When consumers buy a new or unfamiliar product it usually involves the need to obtain substantial information and a long time to choose. They must form the concept of a new product category and determine the criteria to be used in choosing the product or brand.

2. **Limited Problem Solving (LPS)** : Sometimes consumers are familiar with both product category and various brands in that category, but they have not fully established brand preferences. They search for additional information which helps them to discriminate among various brands.

3. **Routine Problem Solving (RPS)**: When consumers have already purchased a product or brand, they require little or no information to choose the product. Consumers involve in habitual and automatic purchases.

Comparison of problem-solving variations

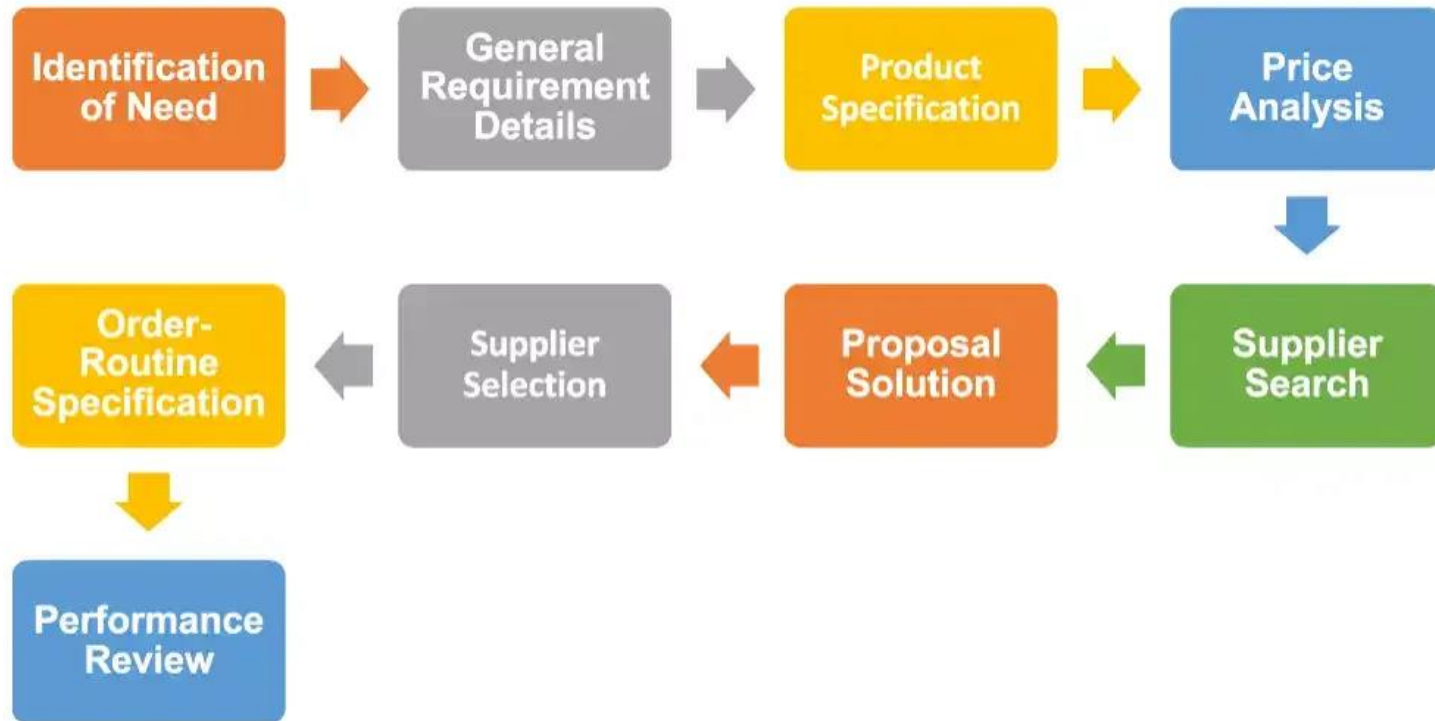
	CONSUMER INVOLVEMENT		
	HIGH		LOW
CHARACTERISTICS OF PURCHASE DECISION PROCESS	EXTENDED PROBLEM SOLVING	LIMITED PROBLEM SOLVING	ROUTINE PROBLEM SOLVING
Number of brands examined	Many	Several	One
Number of sellers considered	Many	Several	Few
Number of product attributes evaluated	Many	Moderate	One
Number of external information sources used	Many	Few	None
Time spent searching	Considerable	Little	Minimal

Organizational Buying Behaviour

- **Organizational Buying Behaviour** is a complex decision-making and communication process involving selection and procurement of product and services by organizational buyers.
- **Organizational behavior** refers to the buying behavior of organizations that buy products for business use, resell or to make other products. Organizations consist of business, industries, retailers, government, and nongovernment organizations
- **Characteristics of Organizational Buying /Purchase**



Stages of organisational buying process



Stages of organisational buying process



- **Stage-1 – Problem Recognition:**

The first stage of the business buying process in which someone in the company recognizes a problem or need that can be met by acquiring a good or a service.

Stage-2 – General Need Description:

At this stage of business buying Process Company describes the general characteristics and quantity of a needed item.

Stages of organisational buying process



- **Stage-3 – Product Specification:**

At this stage of the business buying process buying organization decide on the product and specifies the best technical product characteristics for a needed item.

- **Stage-4 – Price & Value Analysis:**

An approach to cost reduction, in which components are studied carefully to determine if they can be redesigned, standardized or made by less costly methods of production.

- **Stage-5 – Supplier Search:**

At this stage of the business buying process buyer tries to find the best vendors.

Stages of organisational buying process



- **Stage-6 – Proposal Solicitation:**

The stage of the business buying process in which the buyer invites qualified suppliers to submit proposals.

- **Stage-7 – Supplier Selection:**

The stage of the business buying process in which the buyer reviews proposal and selects a supplier or suppliers.

- **Stage-8 – Order-Routine Specification:**

The stage of the business buying process in which the buyer writes the final order with the chosen suppliers, listing the technical specifications, quantity needed, expected time of delivery, return policies and warranties.

- **Stage-9 – Performance Review:**

The stage of the business buying process in which the buyer rates its satisfaction with suppliers, deciding whether to continue, modifies or drops them.

Buying Roles

Initiator	Initially perceives a problem and initiates the buying process to solve it.
Influencer	Affects the purchasing decision by providing technical information or other relevant (internal or external) information.
Gatekeeper	Controls the information to be reviewed by members of the buying group. (For example, buyer may screen advertising material and even salespeople.)
Decider	Actually makes the buying decision, whether or not they have formal authority to do so. Could be the owner, an engineer or even the buyer.
Buyer	Has formal authority to select and purchase products or services and the responsibility to implement and follow all procurement procedures.
User	Actually use the product in question. Can be inconsequential or major players in the process.

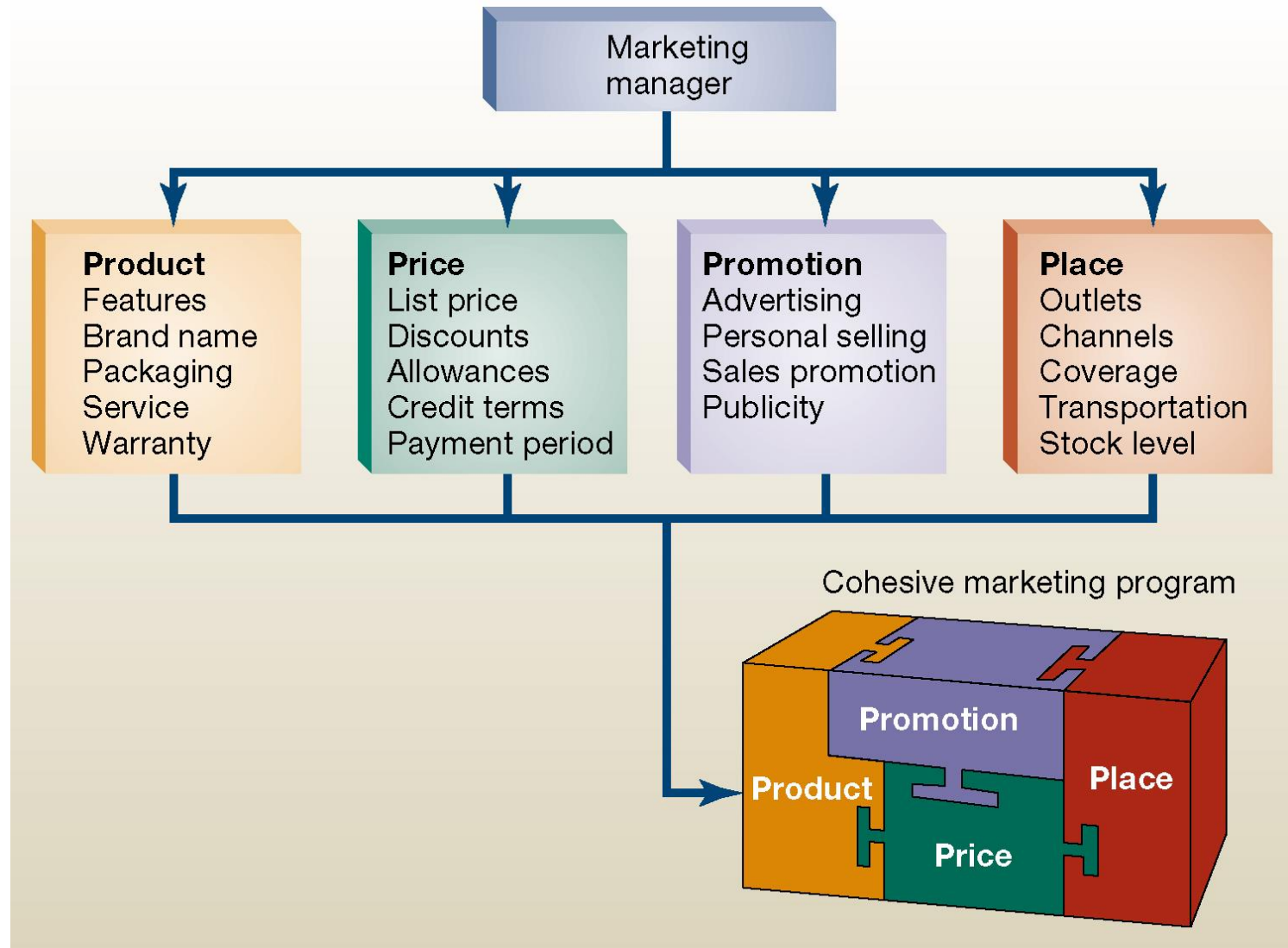
END OF CHAPTER 4

CHAPTER 5

Marketing Mix



The Marketing “Mix”



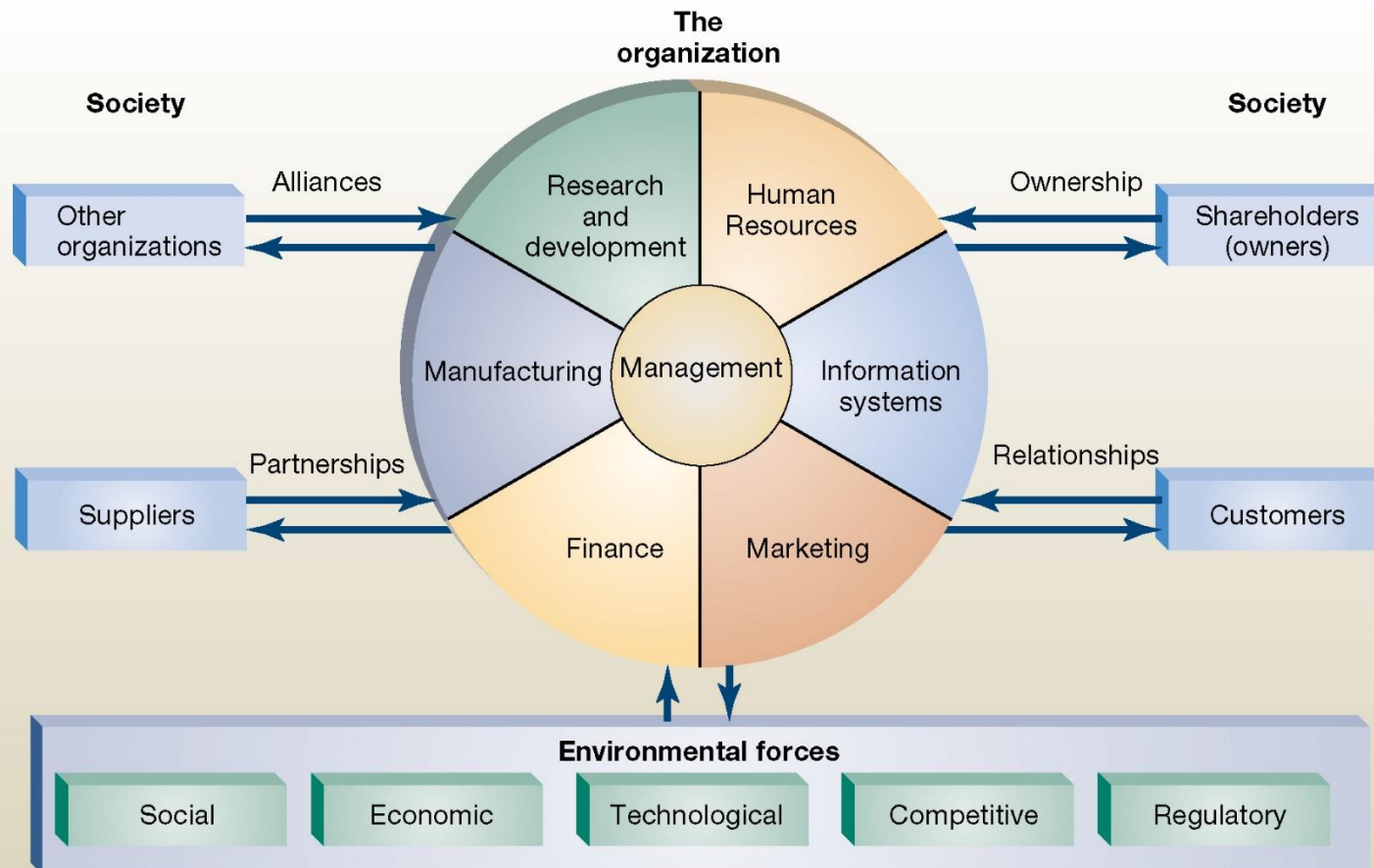
Marketing Mix – 4Ps

The marketing mix elements that make up an organization's marketing program:

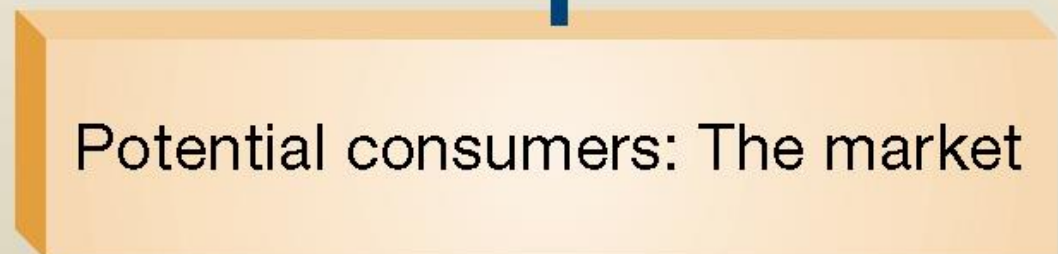
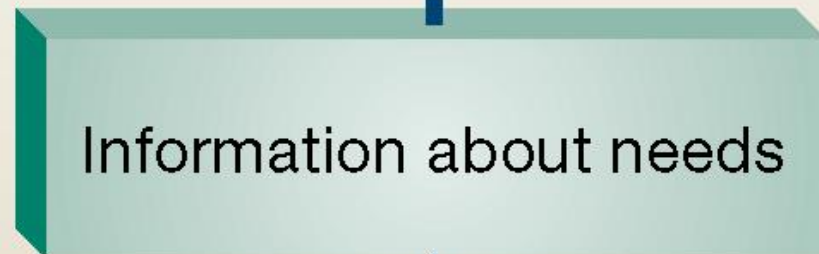
1. **P**roduct
2. **P**romotion
3. **P**rice
4. **P**lace

These are management decisions, controllable factors

Marketing function relates to many people, groups, and forces



**Marketing's first task:
discovering consumer needs**



Marketing's second task: satisfying consumer needs



MARKETING MIX



- “**Marketing mix** is the combination or arrangement of marketing components” to suit the actual business situation of each enterprise. Understanding the benefits of the marketing mix will help firmly strengthen the position of the business in the market. So having an excellent **marketing mix strategy** is crucial for a business.

The four elements of marketing mix model are:

- Product
- Price
- Place
- Promotion

MARKETING MIX



Product

- This P appears first in the Ps of marketing, meaning that the product is created to satisfy the needs of the customer. Product is anything that can be offered to a customer to satisfy his or her need or want. Whether it's a television or an insurance policy the product offers a total bundle of benefits to the customers.
- The product here can be tangible or intangible – as it can be a product or service. But businesses must ensure to provide the right type of product for the market demand.
- When a company finalizes its **product mix strategies** that depend on certain parameters. Proper designing & packaging, brand name with a clear understanding of the various quality features, service, return policy, pre and post-selling information need to be mentioned.
- Apart from this essential information, there should be an installation and service guide along with maintenance guidance that can improve a better understanding of any end-users.
- That is how a company can have an effective way of doing **product mix**

MARKETING MIX



Price

- This second P (price in marketing mix) is an extremely important part because it determines the approach and selling of the business.
- The selling price is determined by a few related factors such as cost of raw materials, market share, level of competition, type of product.
- The importance of price in marketing mix is it also shows estimated customers' reactions to possible product prices.
- It is one of the most relevant parts of the marketing mix it is the only element that can drive or produce revenue for the business.
- It is one of the easiest ways which can be adjusted in the short run to drive revenue. In this way, the company can communicate its value proposition.
- Price not only means the monetary value of goods but also efforts and the time any customer would be willing to expend to acquire the product. Determining this is a hugely critical factor in terms of revenue for any brand as it will have an impact on profits, supply chain, demand, and how much money marketers should spend on a promotional or marketing strategy.
- This is why this 'P' is one of the most important. If the product is priced too low or too high, the product – and company – could fail. Price is the only element in the Marketing Mix that produces revenue, all other elements represent costs.

MARKETING MIX



Place (Distribution)

- This P (place in marketing mix) represents the locations where your customers can buy your products. And it's also called Distribution Channel.
- Distribution locations can include both physical stores and online business stores. Delivering products to the right place and at the right time is considered an important element in any marketing activity.
- The new age has introduced new hurdles when it comes to reaching potential customers. Place refers to providing customers access to the company's product, and it also calls into play benefit and comfort for the customer. Marketing, through digital means or otherwise, is about having the right product, at the right price, in the right place, at the right time, in front of the customer.
- Customers likely engage with your brand or your specific products in a variety of places. It's necessary to examine how each of these places affects the overall customer experience.
- It is one of the most critical for the success of a business. It means a marketing channel or trade channel or distribution channel which ensures the reach of a product to the customers. It is one of the defined channels and a set of mechanisms that uses the marketing channel to fulfill demand and create the demand for the business. It can also provide important feedback to the company derived from the customers.
- **Let's talk about one example** from one of the largest car manufacturers in India. Maruti has approx. 940 dealers across 670 cities to sell 14 brands of cars and its 150 variants scattered almost 3000 service points make Maruti a comprehensive distribution channel.
- 24x7 logistic support makes the Maruti available to every Indian customer.

MARKETING MIX



Promotion

- Promotion in marketing mix is the activities aimed at promoting the brand and its products/services to the Target Audience, making them more aware of the product and promoting more selling. Now the challenge is, how to make an audience aware of the product? Within the framework of all P's, promotion refers essentially to marketing communications,

Before building this promotional mix, businesses need to understand the following:

- **Advertising:** Advertisements of your product need to carry a direct message calling for a certain behavior from customers.
- **selling Promotion:** Promotions must stimulate consumption and stick with the product. Each promotion needs to be done within a certain period of time in different ways.
- **Personal selling/selling:** Businesses and products need to create individuality; direct contact between a customer and a selling representative. This is an extremely important tool for businesses dealing with industrial machinery and solutions.
- **Public Relations:** PR campaigns must build a beautiful image of the business with real stories; organizing events to connect customers and businesses; which creates a firm trust and has a more direct impact on the buying behavior of customers.
- **Direct Marketing:** Marketing teams need direct access to customers wherever they are; customers can give feedback about the product immediately; Enterprises must measure these feedbacks to come up with the necessary strategies and solutions. Promotion is an indispensable component of Marketing campaigns to increase brand awareness and increase selling.

Benefits of the marketing mix

Understanding the importance of marketing mix tactics is the door that leads to the right direction for your business. Here are a few advantages of marketing mix:

- **Provide data for resource allocation**

The allocation of resources, human and financial resources is one of the tasks that ensure the success of marketing. This resource depends quite a lot on the marketing mix model and helps to optimize profits for businesses and increase customer satisfaction.

- **Solve distributed data problem**

Marketing mix gives businesses specialization. Therefore, every member of the enterprise is distributed data and divided the work to ensure the most convenient and intelligent possible.

- **Create trade promotion opportunities**

These are not only solutions for the purpose of supporting policies on products, prices, or distributors, but the marketing mix also creates trade promotion opportunities that enhance the effectiveness of those policies. Therefore, thanks to the trade promotion benefits of the marketing mix, businesses create advantages and differences in the competitive market.

Goods and Services

Goods



services



Main Characteristics of Services

Characteristics	Distinguishing Features
Intangibility	Cannot be tested, seen, heard, touched or smelled before purchase. Judgement therefore based on opinion, attitude, feeling, perception and experience , e.g. education provision
Inseparability	Production and consumption are inseparable, creation / performance / consumption are often identical and distribution roles integrated. The product cannot usually exist without the customer, e.g. restaurant services
Heterogeneity	Standardization of output is generally difficult, units differ in price, quality and conformity, and judgement is difficult in advance of purchase, e.g. tourism products.
Perishability	Services are perishable and cannot be stored, while short capacity is lost forever with fluctuations in demand, e.g. in transport and travel.
Ownership	Customers only have access to, or use of, a service, rather than ownership. There are thus no ownership transfers, patents or inventories and payment is for hire or temporary use, e.g. leisure facilities

- **The marketing mix** is the pillar of a marketing strategy and **consists of a series of tools to guide a company through the ups and downs of its industry.**
- It drives decision making during the whole process of bringing a product or service to the market.



The first model was presented in *Basic marketing: a managerial approach* by American marketing professor and author, Edmund Jerome McCarthy, in 1960.

- McCarthy **classified various marketing activities** and grouped them under four dimensions:
- Product; Price; Place; Promotion.
- That's why it is called the **4Ps of marketing mix**.

The 7Ps of marketing mix

- In 1981, the professors Bernard Booms and Mary Jo Bitner published *Marketing strategies and organizational structures for service firms* where they presented **the 7Ps of marketing mix**.
- This updated version added 3 dimensions to the original 4Ps: people, process and physical evidence.



Seven Ps of Marketing

MARKETING MIX



PRODUCT



PRICE



PLACE



PROMOTION



PEOPLE



PHYSICAL ENVIRONMENT



PROCESS

Seven Ps of Service Marketing

Services represent intangible activities, benefits, or satisfactions that an organization provides to its consumers. This is *different* than the businesses that market products.

Marketers work on creating a proper blending of these seven Ps to satisfy the needs of consumers in the service sector.

However, in addition to the **traditional four Ps**, the services-marketing mix includes three more factors: people, physical evidence, and process. This creates the seven Ps of services marketing:

- Product (Service)
- Price
- Place (Distribution)
- Promotion

3 more Ps:

- People
- Physical Evidence
- Process



Extended 3 Ps

People

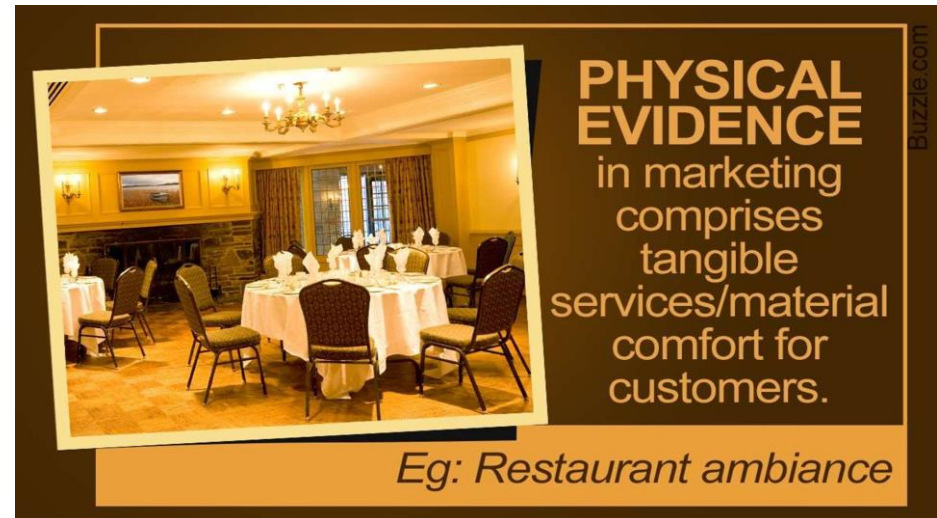
- Service organizations are judged based on the performance of the people who provide the service. People who create and deliver the service are critical for the success of the service organization. That is why service organizations have a special focus on the people who provide the service. This is related to the concept of internal marketing.
- **Internal marketing** refers to how an organization must care for and treat their employees, since the employees are the key to providing the best service to its customers. Organizations must treat their employees like valued customers. Internal market refers to the employees of the organization. Successful marketing strategies start with the satisfaction of employees before reaching out to the customers. Internal marketing includes properly selecting, training, and motivating all employees. Employees must function well as a team to provide service quality, excellent customer experiences, and customer satisfaction.



Extended 3 Ps

Physical Evidence

- The physical environment in which the service provider and customer interact plays an important role. It has an impact on the customer's perception of the service.
- The physical evidence of the service includes all the tangibles surrounding the service: the buildings, landscaping, vehicles, furnishings, signage, brochures, social media, websites, and equipment.
- Service providers pay a lot of attention to how they manage physical evidence, in order to leave a good impression of the service on the customer. This is related to the concept of impression management, or evidence management.



Extended 3 Ps

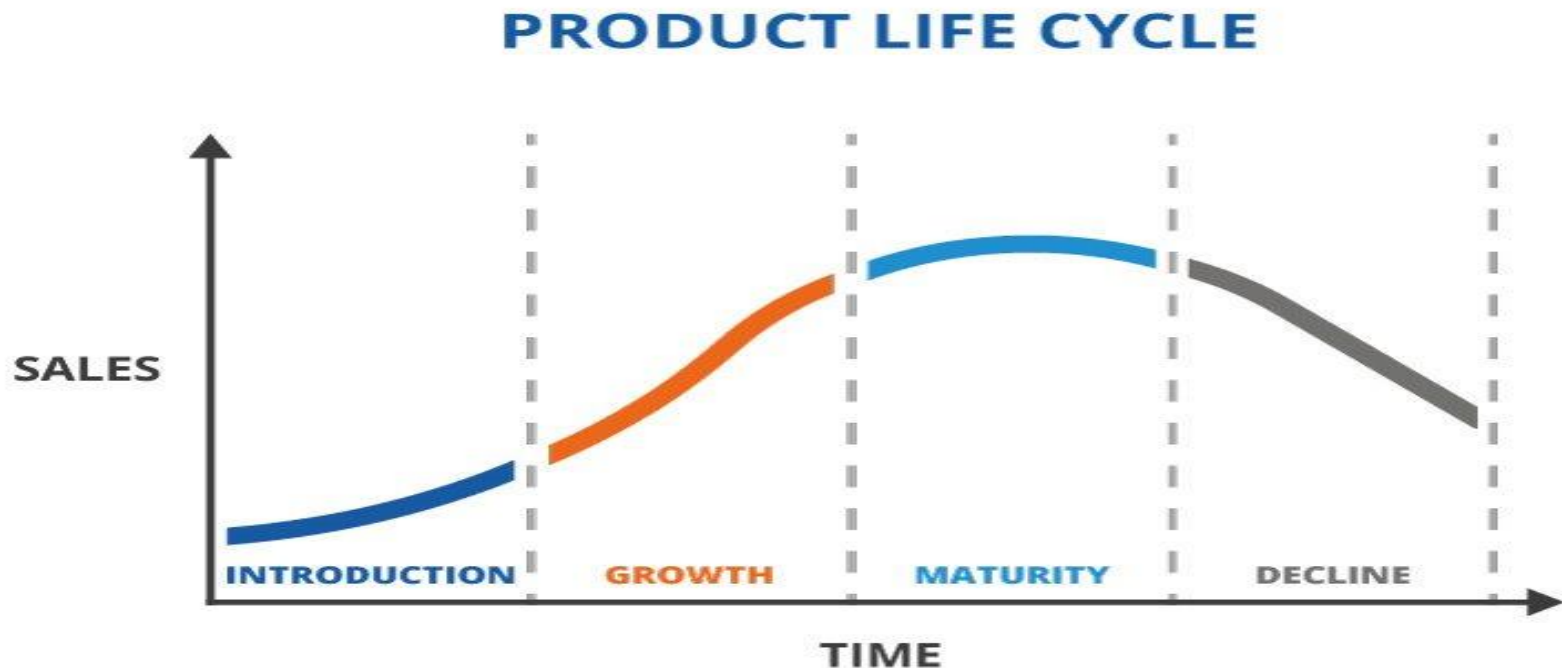
● Process

- In the case of services, how the service is created should be well defined. Process is the definition of how the service is provided in a step-by-step manner. Process refers to the actual procedures, mechanisms, and flow of activities by which the service is created and delivered.
- Most service organizations create a customer contact audit to identify the steps taken when providing the service. The **customer contact audit** is the flow chart of the points of interaction between the customer and service provider. It provides guidelines for both employees and customers. It also helps to improve the quality of the service by ensuring that the necessary steps are taken for a smooth delivery of the service.



The product life cycle

- All products will have a time span over which consumers will want them. This time span is called the **product life cycle**.
- Each product has a life, and this is represented by the graph on the next slide that tracks time and the level of selling.
- It is wise to consider the profit levels these stages will create for businesses.
- The stage of the life cycle will impact the decision making for a business and it is important that you clearly understand these implications. Each stage will have different strategic considerations.



Product Life Cycle

● Product Life Cycle (PLC):

- Each product may have a different life cycle
- PLC determines revenue earned
- Contributes to strategic marketing planning
- May help the firm to identify when a product needs support, redesign, reinvigorating, withdrawal, etc.
- May help in new product development planning
- May help in forecasting and managing cash flow

1. Introduction Stage

It is the first stage, wherein the product is launched in the market with full scale production and marketing programme. The product is a new one. It means “a product that opens up an entirely new market, replaces an existing product or significantly broadens the market for an existing product.” In this stage selling grow at a very low rate because it is not an effective demand.

● Characteristics

1. Low and slow selling
2. High product price
3. Heavy promotional expenses
4. Lack of knowledge
5. Low profits
6. Narrow product lines

2. Growth Stage



Once the market has accepted the product, selling begin to rise and product enter it's 2nd stage.

- The product achieves considerable and widespread approval in the market. The selling and profit increases at an accelerated rate.
- In this effective distribution, advertising and selling promotion are considered as the key factors.
- **Characteristics**
 1. Rapid increase in selling
 2. Product improvements
 3. Increase in competition
 4. Increase in profits
 5. Reduction in price
 6. Strengthening the distribution channel

3. Maturity Stage

Market becomes saturated because the household demand is satisfied and distribution channels are full. The product has to face keen competition which brings pressure on prices. Though the selling of the product rises but at a lower rate. Profit margin however declines due to keen competition.

● Characteristics

1. selling increases at decreasing rate
2. Normal promotional expenses
3. Uniform and lower prices
4. Product modifications
5. Dealer's support
6. Profit margin decreases

4. Decline Stage

This is the final stage, sooner or later actual selling begin to fall under the impact of new product competition and changing consumer behaviour. The selling and profits fall down sharply and the promotional expenditure has to be cut down drastically.

● Characteristics

1. Rapid decrease in selling
2. Further decrease in prices
3. No promotional expenses
4. Suspension of production work

Product Life-Cycle Strategies

TABLE | 9.2 Summary of Product Life-Cycle Characteristics, Objectives, and Strategies

	Introduction	Growth	Maturity	Decline
Characteristics				
Sales	Low sales	Rapidly rising sales	Peak sales	Dedining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Dedining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Dedining number
Marketing Objectives				
	Create product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand
Strategies				
Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brand and models	Phase out weak items
Price	Use cost-plus	Price to penetrate market	Price to match or beat competitors	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Advertising	Build product awareness among early adopters and dealers	Build awareness and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain hard-core loyals
Sales Promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level

Features of Product Life Cycle

1. Every product has the life cycle as every human being has.
2. Every product cycle starts from an introduction of the product in the market and it is ceased after passing through the market growth and market stages.
3. It denotes that the product passes from different stages at different speed in course of completing the whole cycle.
4. The profit of business firm grow rapidly in the stage of growth and starts declining due to competitive conditions at the stage of maturity.
5. However the selling volume go on increasing.
6. The duration of each stage is different for different products. It depends upon the factors (nature of products, technological advancements, competition pressure, etc.)
7. It is not necessary that all products go through all stages, some fall at the initial stage, other may reach at maturity stage after a long time.
8. It provides a useful framework for developing effective marketing strategies in different stages of the product life cycle.

Importance of Product Life Cycle

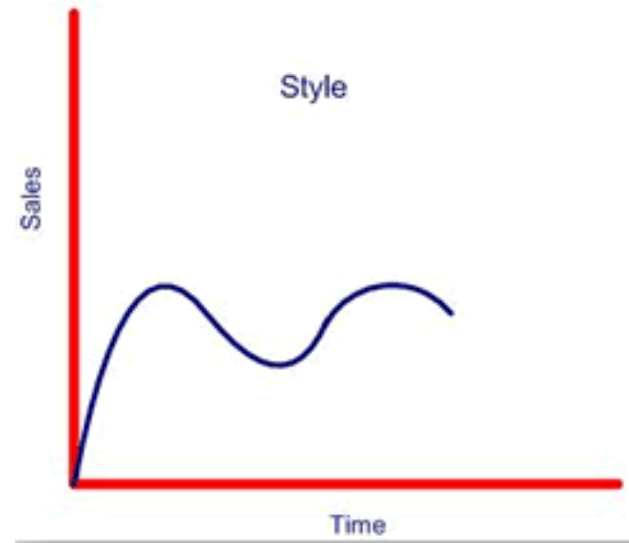
1. It is helpful in selling forecasting.
2. Helpful as a predictive tool.
3. It is Helpful as a planning tool.
4. Helpful as a control tool.
5. Helps in framing marketing programme.
6. Helpful in price determination.
7. Development of new product.
8. Comparison of different products

Factors Affecting PLC

1. Rate of technological change.
2. Rate of market acceptance.
3. Competitor's entry.
4. Economic and managerial forces.
5. Risk bearing capacity.
6. Government policy.

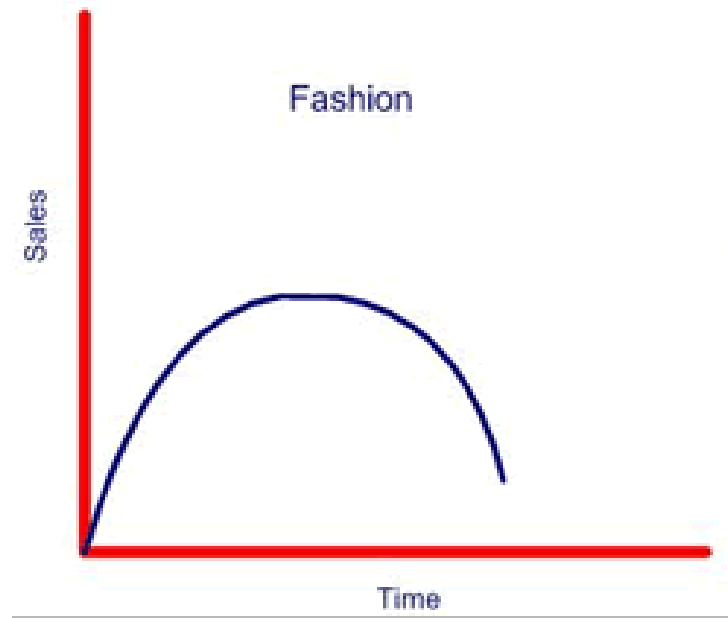
Product Life Cycle for Stylish Products

- a) A style is the manner in which a product is presented in certain styles come and go.
- b) According to Kotler: “A style is a basic and distinctive mode of expression.” E.g. Furniture, clothing, automobile and shoes.
- c) The current style for mobile phone is touch screen and this style will last until a new technology style appears. So the shape of a style life cycle is like a wave, as one style fades out, another appears.



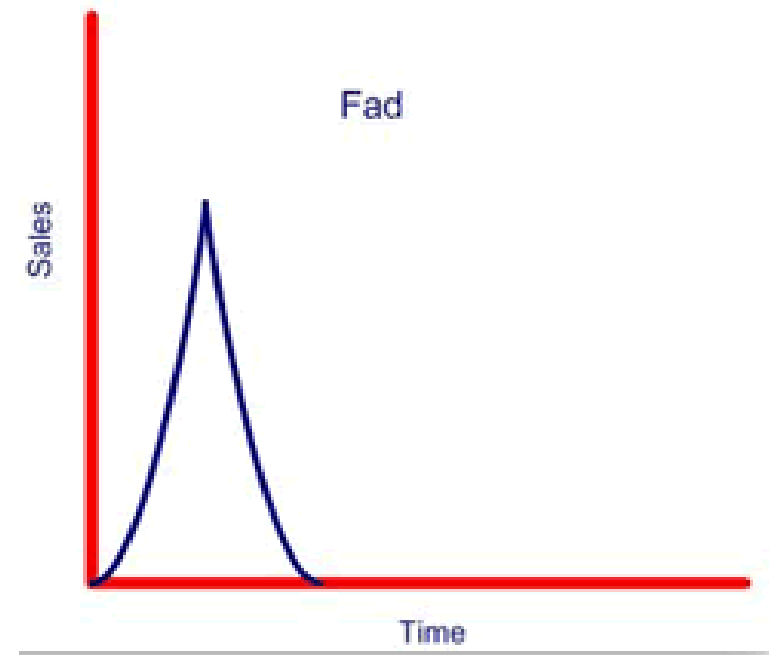
Product Life Cycle for Fashion Products

- a) A fashion refer to a currently accepted style in a specified field. It is a current trend which can have a long or short life cycle.
- b) Fashion tends to grow slowly, remain popular for a while then decline slowly.
- c) The product for the product increases at a faster rate, reaches to its top and with the change in fashion the product life enter to decline stage. E.g. readymade garments, purses, bangles, shoes, etc.



Product Life Cycle for Fad Products

- a) Fads are fashions that enter quickly with greater zeal, peak early and decline quickly.
- b) A fad is a product that is around for a short period. E.g. garments, caps, hair style, music albums, films and other fashion products.



**People don't search for Products
They search for Solutions
Be the Solution**

