# Netaji Subhas Open University

**Entrepreneurship Development and Small Business Management (Diploma)**

## Paper III

## Marketing Management


**Text Writer**

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## UNIT 1

# MARKETING MANAGEMENT

## 1.1 Introduction

Marketing is omnipresent everywhere. It is touching everybody, everywhere, every moment, be it promotion or merchandising. In this chapter focus is on types of offerings and market. The basic concept of need, want and demand together with value, cost and satisfaction discussed in this chapter.Evolution of marketing from the trading era, environmental forces in the market place, situational and analysis and market-product interface highlighted here.

Any business enterprise from the day of its inception has to meet several expenditure heads, be it local body tax, rent, wages to workers, salaries to the staff members, fuel bill to meeting the payments to the suppliers. But the only source of earning is to produce goods or service that will successfully meet the requirements of the target group of customers. This makes the task of marketing so important to a modern day marketer. Further marketing programme is undergoing rapid changes in the light of the global, technological, economic, social, competitive and regulatory changes.

## 1.2 Concepts

Marketing management is an art and science of identifying target markets and getting, retaining and growing by augmenting offerings, communicating, delivering superior value to the customer.
As per the management theory, marketing management includes:

a) Analysing the situation
b) Planning the execution programme
c) Organizing the implementation process
d) Preparation of road map and,
e) Controlling the activities associated with execution programme.

### 1.2.1 Product concept

It is the offering by the marketer for their target group of customers having quality, performance, innovativeness which satisfies their needs. These days offering by the marketers include tangible items which are termed as manufactured products and intangible items like services. Services offering business includes- concepts, ideas, consultancy, repairing, healthcare, education, legal opinions and many more.

### 1.2.2 Exchange

Exchange is the act of obtaining a desired product from some source by offering something in lieu of that. Best example of exchange process is barter system of obtaining one's required item in lieu of another item, which was taking place from the time immemorial. In the present day world the most used process of exchange is through money, where one party offers money against some product or service offered by the other party.

### 1.2.3 Marketers and Prospects

Prospects are a potential customer or in other words a customer who needs or wants a product or service. Prospects not always mean an individual but an organization seeking a product one company is producing maybe the prospect as well. Like, a ball bearing manufacturer may find a prospect in water lifting pump manufacturer.

### 1.2.4 Marketable entities

*Goods*- physical goods like agricultural produce, manufactured items etc. e.g. vegetables, ceiling fan, television, iron ore. These are called tangible items.

*Services* – Intangible items, like education, healthcare, hospitality, entertainment, security services, etc.

*Events*- Travel shows, cultural events, games, etc.

*Persons*- Celebrities who have their own brand image.

*Places*- having tourist attraction, like religious places, hill stations, forests, coastal region, etc.

*Properties*- Land, real estates.

*Information*- inputs of decision making.

### 1.2.5 Types of Markets

<u>Consumer markets</u>- Apparels, shoes, cooking appliances, cosmetics, soft drink.

<u>Business Markets-</u> boilers, packaging machines, printing press, commercial aircrafts, railway wagons.

<u>Government markets</u> – defence items, police department, civil administration.

### 1.2.6 Foundation of Marketing Management

NEED $\longrightarrow$ WANT $\longrightarrow$ DEMAND

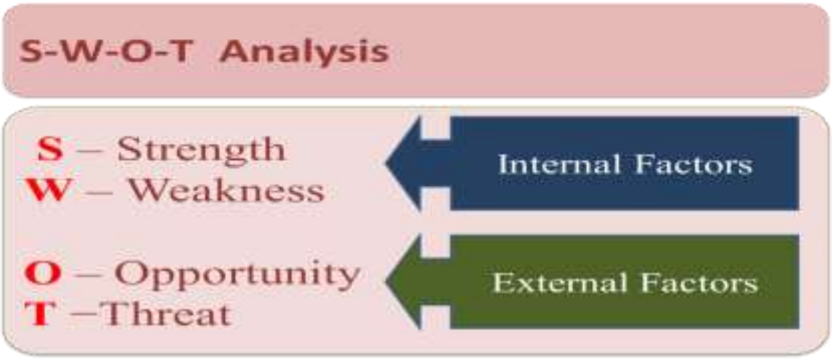
Need:  when one is deprived of something, to his or her satisfaction, need arises. Needs are more basic than wants. E.g. a hungry person needs food to satisfy his or her hunger.

Want: when need gets a specific shape in the desired direction toward meeting satisfaction. E.g. a hungry person needs food like rice, dal, vegetables, dosa, and idli.

Demand: wants of specific product or service backed by the ability to pay. E.g. one may need a personal transport to reach his or her place of work in time. The person may want a four wheeler to satisfy the need. But unable to pay the amount for that, settles in buying a two wheeler.

**1.2.7 Situation Analysis.( SWOTanalysis)**

While screening the merits and demerits in the existing market environment to develop a feasible strategy the business needs to study S-W-O-T analysis.  S-W-O-T is an acronym of Strength, Weakness, Opportunity and Threats, the strength and weakness are the internal factors of the organization, whereas opportunities and threats are the external factors.




**1.2.8 Market – Product interface**

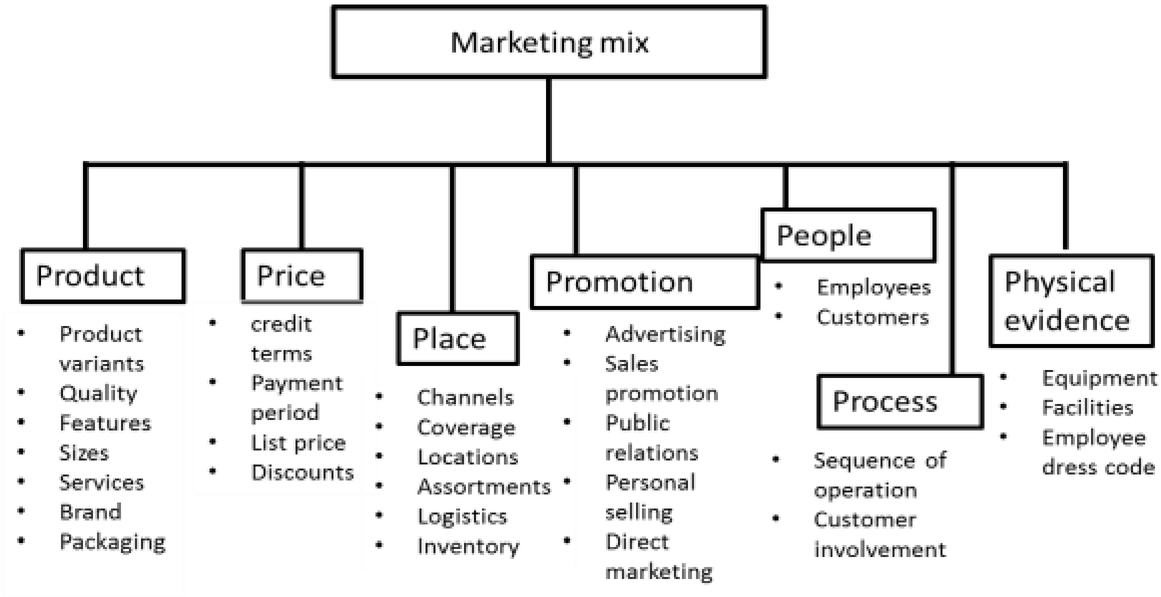
Identifying which product will be offered toward which customer group is of prime importance in making a marketing programme successful. This is often based on market segmentation, which divides a large heterogeneous group of customers in small homogenous sub groups, called markets. This leads marketers to :-

i. Select target market
ii. Set market-product goals
iii. Identify points of difference
iv. Positioning the product

**1.2.9 Marketing Mix**

Towards reaching out to consumers, marketing managers use a combination of tools, popularly known as 7 Ps – of marketing. Later on the elements are defined as marketing mix elements.

They are Product, Price,Place, Promotion, People, Process and Physical evidence.




Sample questions:-

1. What is need?
2. Define want. Give one suitable example on it.
3. Why marketing management is important for an entrepreneur?
4. List any five marketable entities.
5. Identify five consumer items generally available in the market.
6. What are environmental forces that influence marketing programme?
7. Discuss in brief SWOT analysis.

Select readings:

1. Marketing Management; Kotler,P and others. Pearson Education
2. Basic Marketing; Perreault & McCarthy, McGraw Hill
3. Marketing; Kerin, R.A. and others, McGraw Hill
4. Marketing Management; Rajgopal; Vikas

# Unit 2: <u>PRODUCT</u>

## 2.1 Introduction

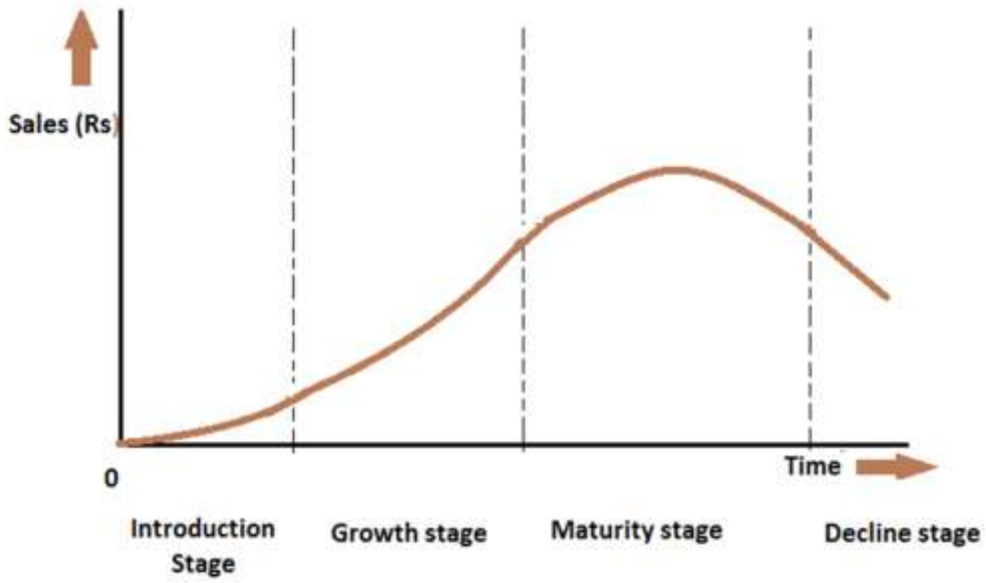
It is the first P of marketing mix elements. It is an offering by any company to their consumers to satisfy their wants. Product offerings include service, ideas, events, places and many more. Product has its life cycle having four stages in its life span is the major area of study in this chapter.

Product means an offering of a company which is aimed at satisfying a consumers' need.

Difference between goods and services - goods are physical things, which can be seen and felt. In simple words, goods are tangible items. Goods can be produced in advance anticipating demand and stored for some time. On the other hand, service is an act or performance carried out by one party, the marketer for the other, the consumer. It is simultaneously produced and consumed by the party and is requirement specific. It is intangible. Examples are transport service, education, healthcare, etc.

## 2.2 Product life cycle

It describes the stages a product passes through in the market place. The stages are (i) introduction, (ii) growth, (iii) maturity, and (iv) decline.




Introduction stage: it is the initial stage when the product is introduced in the market. In this stage consumers come to know about the availability and sales take place at a slow rate. Promotional and distribution support requires lots of attention and financial burdens are also high.

Growth stage: this stage is characterised by rapid increase in sales. In this stage more and more customers become aware about the product offering. With the increase in product sales, cost per unit of production goes down. Profit swells.

Maturity stage: in this stage the sales revenue slows down. Sales increase at a decreasing rate as existing buyers starts abandoning by switching over to new products. Profit declines because of competitors' entry in the market and cost of getting new customers increase.

Decline stage: at this stage sales go down and profit begins to drop. Reason behind this is the technological advancement which replaces existing or old products.

Deletion: dropping the product from the product line.

Examples for decline and deletion are manual typewriters, analogue cameras. Whereas Boeing Company's Dreamliner, is the best example for growth stage.

## 2.3 Positioning and Re-Positioning

**Positioning** is creating a mental picture about the product in the mind of the customer. A marketing manager needs to create a realistic view about their offering in the market. This helps the company to differentiate their offering from a host of similar product in the market, from the customer's point of view. A good product- brand positioning helps to create distinct image of the brand in the market. E.g. Savlon, no pain liquid antiseptic.

**Repositioning** is altering the existing positioning strategy is Repositioning. Cadbury's chocolate changing its positioning from children to everyone in the family offering Dairy Milk Chocolate Home Treats pack of small units in a zipper packet.

Repositioning strategies often take place when the product brand is in the declining stage of product life cycle or facing stiff competition from existing similar brands or anticipating opportunities in other market segments.

## 2.4 Test Marketing

The main feature of product policy is to identify the avenues which will provide higher sales and return on investment. Test marketing involves overall product strategy based on market needs and industry capabilities. It also involves new product and market acceptability and marketing procedure. Test marketing is the test, in a small scale of the new product and its marketing plan including- distribution, pricing, promotion programme. The cost of the market tests is generally an insignificant percentage of the total project cost. It also lowers the chance of failures of the newly launched product in the real life scenario, which prevents the loss of brand image and company reputation.

Sample questions:-

1. Define product. How is product different from service? Support your answer with examples.
2. What is product-life-cycle? Describe it with a neat diagram detailing each stage.
3. Define positioning.
4. Define repositioning. Why repositioning strategy is used and when?
5. Describe the main features of new- product.
6. Detail the steps involved in new- product development.

7. Do you believe that test marketing of a new product is a part of marketing research? Why and why not?

Select readings:

1. Marketing Management; Kotler,P and others. Pearson Education
2. Basic Marketing; Perreault & McCarthy, McGraw Hill
3. Marketing; Kerin, R.A. and others, McGraw Hill
4. Marketing Research and Consumer Behaviour; Sumathi & Saravanavel; Vikas Publishing.

# UNIT 3: CONSUMER BEHAVIOUR

## 3.1 Introduction

Marketing management concept begins with the consumer in focal point. Once the consumers, the subset of the target audience are identified the task becomes simple for the marketing team members. So the study of consumer behaviour and their segmentation process, which influences the decision making, are discussed in this chapter. Here also discussed the steps involved in the buying behaviour that follows before a purchase and roles played by different individuals and groups.

Study of consumer behaviour helps marketers in identifying who they are, what do they buy, when do they buy, where from do they buy, what amount they spent, how they select the product or service? Once the marketing department comes to know all these it helps them to identify the right marketing mix. Market segmentation parameters and study of consumer behaviour lower the risk of failures in the market place.

## 3.2 Factors influencing consumer buying behaviour

Consumer buying behaviour is generally influenced by cultural, social, personal factors. These major factors are further subdivided into several other factors.

Cultural factors- it is a set of values, beliefs, ideas and attributes that exists and are shared by the member of a group. Culture is the fundamental determinant of a person's behaviour. Culture can be further divided into subculture based on the practices by regional, social groups. In all societies the members are further divided into social class, which reflect different social strata.

Social factors- it is influenced by reference groups, family and roles by peer groups, like school headmaster, village head, elderly persons, family head and religious leaders.

Personal factors- it is the reflection of age, gender, income, education, occupation, stage in life cycle, self-concept and values.

Psychological factors- it is how a consumer behaves after the exposure to a marketing stimuli and purchase situation.

Motivation- is the stimulating force that directs/ guides human behaviour to satisfy a need.

Personality- personality guides and directs a distinctive quality of an individual which is enduring in nature.

Perception- the process by which an individual selects, organizes and interprets information in creating a meaningful picture about the offering.

Learning- it refers to getting knowledge of something that leads to a certain behaviour.

Life-style- life style is a way of living by people in the society in the form of how to utilise their time and resources.

Attitude- it is a state of mind towards any object or situation or practice which is consistently favourable or unfavourable in the way of expression.

Belief- it is a person's perception about something. Belief is based on individual's experience and learning. It helps in the decision making process in a big way.

Opinion leader- the person who informally influences the actions or attitudes of others is called the opinion leader. They are considered to be credible or authentic source of information by the common people.

## 3.3 Purchase decision process of consumers

Behind every purchase lie some important decision making steps by the consumer. There are several stages a consumer generally passes through in purchase decision process. They are presented by the following simple model.

Problem recognition → Information search → Evaluation of alternatives → Purchase decision → Post purchase behaviour

Problem recognition- buying process starts when someone recognizes a problem or a need. Problem recognition also result in a situation where the problem is meaningfully defined, e.g. after clearing the class 12- standard examination students start looking for first year admission in a college.

Information search- after identification of problem, a consumer begins to search for relevant information regarding that. Here search means mental as well as physical information seeking and processing activities.

Evaluation of alternatives- from the host of information the best one is selected on the basis of requirement criterion of the buyer.

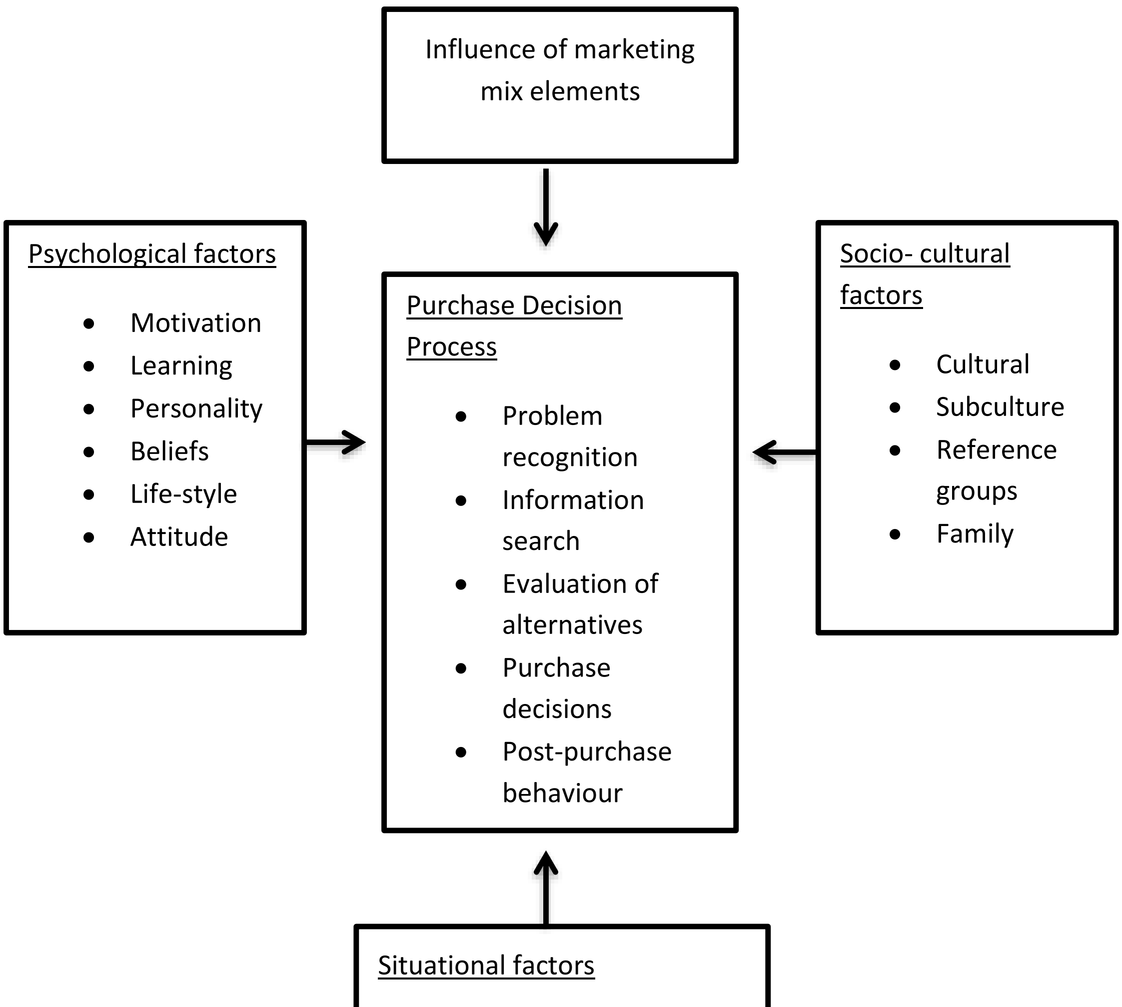
Post purchase behaviour- after the purchase, consumer compares it with expectation he or she has from the product or service in terms of satisfaction or dissatisfaction. If a buyer is dissatisfied the marketer need to improve upon the offering and if it is positive, i.e., leading to satisfaction, the consumer will go for repeat buying or recommend to others.

## 3.4 Buying influences

In the purchasing process, different individuals play significant roles that influence a decision. They are as follows:-

- Initiator- the person who first suggests buying of a product or service e.g. an ownership of an apartment instead of living in a rental accommodation.
- Influencer- the idea may find some takers or supporters, who may carry forward the initial plan.
- Decider- the person who has the power to approve or disapprove a plan.
- Gatekeeper- the individual who controls the flow of information or decision.
- Buyer- the person responsible for arranging the deal.
- User- the person(s) who actually use the product or service.

## 3.5 Factors influencing consumer purchase decisions



## 3.6 Consumer market segmentation

Market segmentation is a process of dividing a potential market into distinct subsets of consumers with common characteristics and selecting one or more segments to target with an exclusive marketing strategy.

A market segment is relatively homogenous set of prospective customers who share almost similar needs and wants in their consumption pattern. The formation of different segments helps the firm to use different strategies to satisfy a particular set of customers. Thus marketers created product differentiation to deliver the right type of product at the right price and time to maximise the buyers satisfaction.

**Segmentation variables**

a) Geographic- country, state, districts, regions, urban, rural, metropolitan cities, small towns, climatic condition etc.
b) Demographic- age, gender, family size, marital status, income, education, occupation race, language, etc.
c) Psychographic- lifestyle, personality, perception, attitude etc
d) Behavioural- benefits, loyalty, occasions, usage rate.
e) Socio-cultural- culture, sub culture, religion, social class, etc.

Sample questions:-

1. Discuss the importance of study of consumer behaviour in marketing management.
2. What is reference group? How does it influence consumers' decision making?
3. Define attitude.
4. What is meant by life-style? Name two life-style phenomenon practiced in present day India.
5. Identify the consumer buying process with a neat diagram.
6. Name the buying influences that play an important role in buying process. Describe any four of them elaborately.
7. Write on benefits of market segmentation from the view point of a marketing manager.
8. Describe the market segmentation variables in detail.
9. Think yourself as a tour operator. For a bird watching trip to a forest area, whom will you target? Detail their demographical characteristics.
10. Discuss the buying influence roles played by the wife in apartment buying programme.

**Select readings:**

1. Marketing Management; Kotler,P and others; Pearson Education

2. Basic Marketing; Perreault & McCarthy, McGraw Hill
3. Marketing; Kerin, R.A. and others, McGraw Hill
4. Consumer Behaviour; Solomon,M.R.;Pearson Education
5. Consumer Behaviour; Jain & Bhatt; S.Chand

# Unit 4: SALES MANAGEMENT

## 4.1 Introduction

Sales management is an activity that involves planning, directing, organizing and controlling of sales team members, including recruiting, selecting, grooming, task allocating, supervising, compensating and motivating the sales-force personnel.

Sales managers are responsible for leading, organizing the sales effort through effective communication channels and developing different departments involving similar type of work loads. Their efforts are not always restricted within the company but outside also, involving decisions on products, marketing channels and distribution policies along with the observation of competitors pricing and other policies.

The main objectives of sales management are:-

- Achieving sales volume
- Improving contribution to profits
- Continuous growth through charting future course of action.

**1.1 AIDAS theory of selling**

Name of this theory came from the initials of five words used to portray it. The words are Attention, Interest, Desire, Action and Satisfaction. The basic fundamentals of the theory suggest that a prospect goes through these five phases consciously and a salesperson must lead the potential buyer sequentially.

Drawing Attention- to bring the prospect into receptive state of mind. Positive first impression and communication skill are some of the few favourable attention drawing elements.

Gaining Interest – to intensify the prospect's attention into strong interest. There are many techniques used together with the experience of the salesperson plays an important role.

Creating Desire- at this stage salesperson needs to excite the feeling of the prospect to a ready-to-buy point. Salesperson must keep conversation going along the direction of sale.

Inducing Action- to convert the prospect into a ready to act mode, by fully convincing the merit of the offering.

Building Satisfaction- at this stage, the salesperson will have to create the impression that the decision of the customer is right and he/she only helped in the right decision making.

**4.2 Choice of Distribution Channel**

Nearly all producers depend on marketing intermediaries to deliver their products to the market. The marketing intermediaries consist of individuals and firms. These intermediaries are the constituents of a marketing channel (also called distribution channel). Marketing Channel members are making the product available for consumption. Intermediaries are known by various names and various functions.

They are:-

- Middleman- intermediary between producer and end- user.
- Broker or Agent- intermediary with legal authority to negotiate on behalf of producer.
- Wholesaler- intermediary with bigger stock who sells to other intermediaries.
- Distributor/ Dealer- intermediaries who perform various functions like- maintaining inventories, providing credit and also selling.
- Retailers- an intermediary who sells to consumers

## 4.2.1 Channel functions and flows

- <u>Information</u>- gathering information on the current and potential customers, competitors, facilities available and other players in the marketing field. It has a forward as well as backward activity between marketer and consumer. (↔)

- <u>Promotion-</u> channel members develop and propagate promotional communication, at times through display of products to stimulate purchase by the consumers. It has a forward flow from marketers to buyers/ consumers. (→)

- <u>Negotiation</u>- members often enter into discussion in reaching out to a settlement on price, quality, quantity, payment period etc. it has a both way activity between the parties. (↔)

- <u>Ordering</u> – the channel members place their requirements to the producers. It is a backward activity from customers via retailers, distributer, etc. to marketers. (←)

- <u>Financing</u>- they take the burden of arranging money to fund inventories at different stages in distribution pipeline. It is a both way process. (↔)

- <u>Payment</u>- the collection of sale proceeds against bills is carried out on a regular basis by the channel partners. It moves towards marketers. (←)

- Risk- sharing- shoulders certain amount of financial and other uncertainties in channel management. It is a two-way process. (↔)

- Physical possession- provide storage of physical products at different levels in the process of forwarding them from producers to consumers. (→)

- Title – ownership passes from one channel member to another in the direction of consumers. (→)

[ → from marketer to consumer ,← from consumer to marketer
↔ both way flow ]

**Marketing channels for consumer items**

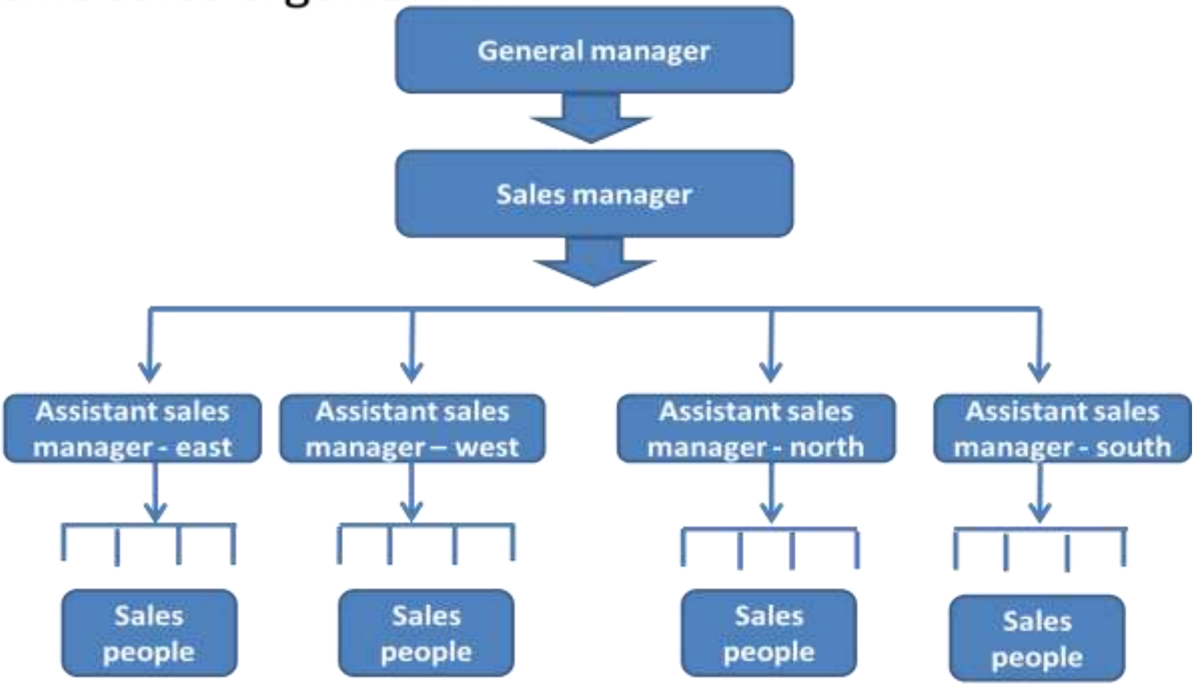
| Zero level | One level | Two levels | Three levels |
|---|---|---|---|
| Manufacturer | Manufacturer | Manufacturer | Manufacturer |
| ↓ | ↓ | ↓ | ↓ |
| Consumer | Retailer | Wholesaler | Agent |
| | ↓ | ↓ | ↓ |
| | Consumers | Retailer | Wholesaler |
| | | ↓ | ↓ |
| | | Consumers | Retailer |
| | | | ↓ |
| | | | Consumers |

# 4.3 Organization of Sales Personnel

## 4.3.1 Line Sales Organization

# TYPES OF SALES ORGANIZATION

## Line sales organization




Line authority is exercised with each subordinate responsible only to one person or the next higher level. The lines of authority run down from top of the organization.

It is suitable for small firms.

### 4.3.2 Line and Staff Sales Organization

It is suitable for medium and large sized organizations.

A group of specialists in different fields help the top executive in organizational function. They do not issue orders but advises the top executive.

## Sales Territory

Sales territory is defined as a grouping of prospects and customers and assigns them to an individual or a group of salespersons. Sales territories are not always based on geographical consideration; it may be a particular group of customers or a range of product or service, regardless of their locations.

Advantages associated with sales territories are many. These are:-

- provide in depth market coverage
- control expenses
- help in sales personnel evaluation process
- contribute to sales force morale
- Help develop control units.

**Sample questions :**

1. Write on importance of sales management in a marketing programme.
2. Important areas of sales management. Highlight them.
3. Describe channel function and its flows.
4. Identify the two-way channel functions and explain each one of them.
5. Name any five distribution channel intermediaries.
6. Present a diagrammatic detail of different types of distribution channel for consumer goods.
7. Detail different types of intermediaries and their roles in business or industrial goods distribution.

## Suggested readings:-


1. Marketing Management; Kotler,P and others. Pearson Education
2. Basic Marketing; Perreault & McCarthy, McGraw Hill
3. Marketing; Kerin, R.A. and others, McGraw Hill
4. Sales Management; Still, Govoni, Candiff. Pearson Education
5. Sales Management;  Tanner, J.F & others; Pearson Education

# Unit 5: <u>PRODUCT PRICING</u>

## 5.1 Introduction

Price is one of the four major elements of marketing mix. It is not just some rupees. Pricing affects the sales as well as profit for any firm. Price is the cost to a consumer. Pricing strategy is a combination of rational and emotional workout. In this chapter all the types of pricing strategies find elaborate explanation with some example to understand difficult definitions. This apart, the break-even analysis linking total cost with total revenue discussed with graphical and numerical explanation.

Against getting or enjoying a product or service, one will have to pay for that. Price is a major element in the balancing act of demand and supply. One entrepreneur pays the price of a bank credit in the form of interest. A traveller pays the price of railway journey in the form of a fare. We are paying the price of consultation to a physician or a lawyer in the form of his or her fees. All these the consumer spends from his or her earnings. From the marketing viewpoint, price is the money paid for the use or ownership of a service or a product respectively.

**Factors involved in pricing decisions**

There are four types of competitive markets. They are:-

i. Pure monopoly- Company who sets the price for a particular product or service offered only by them.
ii. Oligopoly- few companies producing alike commodity and sensitive to competitors' pricing.
iii. Monopolistic competition- many marketers who differentiate their offerings on non-price issues. Their focus is on a particular segment where they target on the needs and wants of customers in a superior way and set exclusive price.
iv. Pure competition- many marketers offering identical product following market price.

## 5.2 Nature and Types of Pricing

<u>Survival</u> – in situations like recession in the economy, fierce competition in the market or change in the usage pattern by consumers, the profit, sales and market share become less important to the sellers. In such situation primary objective of the company is to survive. This price covers the variable costs and a part of fixed cost. It is a short term measure.

<u>Maximum Market Share</u> – this pricing policy is followed when industry sales are more or less flat. In this type of situation companies try to maximise the market share. They believe bigger sales volume will bring down unit cost and bring low-run profit. So they set a price as low as

practicable, considering that the market is sensitive to pricing. This is known as market-penetration pricing.

Maximum market skimming- companies adopting to innovative technologies and offering consumers newer products follow this strategy. This is setting high prices at the beginning and slowly lowering it over time. In the other words, targeting one particular segment at the beginning and when it becomes saturated, moving to next market segment with little lower price.

Maximum current profit- some companies estimate demand and associated costs into consideration while setting the prices, in order to maximise the current profit. In real life it is difficult to estimate the demand and associated cost to generate the particular demand with the price.

Product- quality relationship- a company may consider it as a product- quality leader in the market for a given product class. They set the price and communication strategies to create a perceived quality and status in the consumer's mind.

Economy Pricing – low price with no extras or frills. E.g. budget airlines' economy pricing.

Premium- the high price charged for a product or service with unique features is called premium pricing, targeted to the affluent segment of consumers.

Perceived-value pricing – marketers set their price on the customer's perceived value of the product or service. Perceived quality- value results from what customers expected to receive from the company's proposition and by their own prior experience as customers. Marketers use advertising and sales force to communicate and improve the perceived value in consumers' mind using buyers' image performance and satisfaction, customer support, trustworthiness etc.

Geographical pricing- in this case, marketers decide on prices based on the location, shipping costs, customers' willingness to purchase, level of competition etc. of that region.

Product- bundle pricing – is the setting one price for a group of products. It is cheaper for the customer to buy at a time than separately. E.g. rice, atta, flour, sugar, edible oil at a lot with special price.

Promotional pricing- it is the pricing technique to stimulate quick purchase. E.g. low interest financing, cash rebates, gifts, etc.

Psychological pricing- marketers want the consumer to respond on an emotional way rather than on a rational basis. E.g. Rs 999.00 not Rs 1000.00.

Going- Rate Pricing- companies set the price on the prevailing market rate i.e. the price charged by the competitors in the alike product category. E.g. Rs 3/- use and throw pens.

Mark-up Pricing- this pricing process is the simplest one. It is to add a standard percentage as a profit on sales.

$$mark\ up\ price = \frac{unit\ cost}{1-(desired\ return\ on\ sales)}$$

[Unit cost = (variable cost per unit) + (fixed cost per unit)]

Target- Return pricing – this pricing process works out the target rate of return on investment.

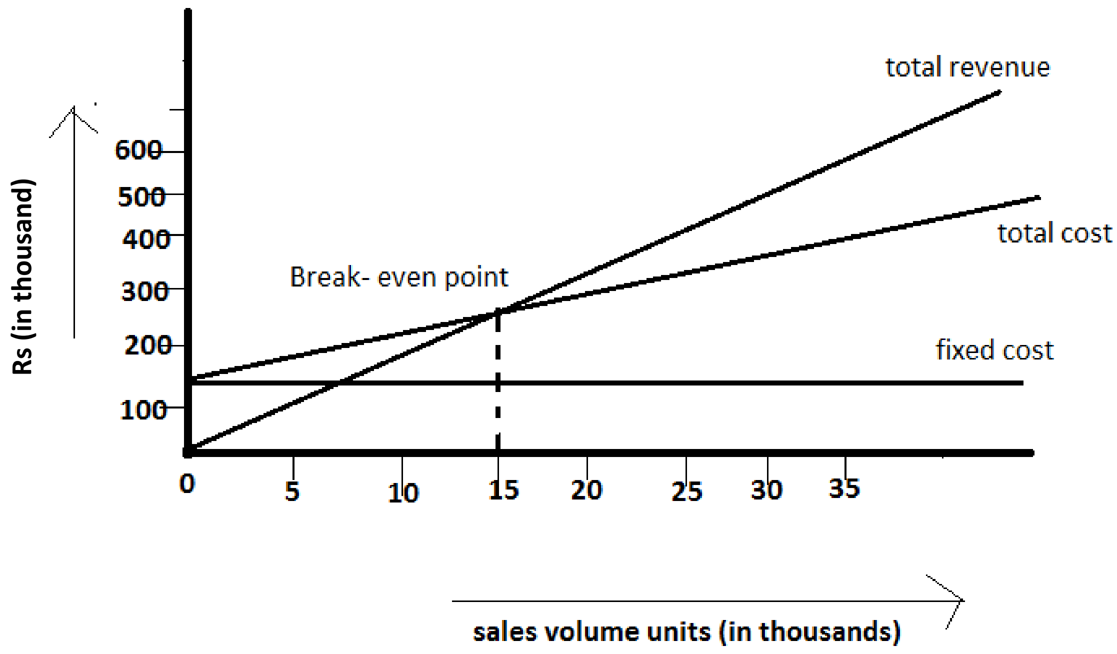
$$\text{Target-return price = unit cost + } \frac{planned\ return\ x\ capital\ investment}{unit\ sales}$$

Break- even Analysis- it is a technique that analyses the relationships between total revenue and total cost to identify profitability (or loss) at various levels of output unit.

The quantity at which total revenue and total cost become equal is called break-even point (BEP) in terms of quantity.

$$\text{BEP} = \frac{fixed\ cost}{unit\ price - unit\ variable\ cost}$$

e.g. fixed cost= Rs 150,000.00
unit price = Rs 20.00
unit variable cost = Rs 10.00



$$\text{BEP (quantity)} = \frac{150000}{20-10} = \frac{150000}{10} \qquad = 15000 \text{ units}$$

## 5.3 Methods of Pricing Strategy

Pricing Strategies are the decision variables that the marketing managers control. Pricing decisions affects the sales volume, revenue and profit figures. The strategies adopted are:

a) Price Flexibility- offering some product or service to different customers at different prices. Like railway journey for children between the age group of 5-12years at half price.
b) Price level over product life cycle- when a product brand enters the market, that is, the introduction stage in the product life cycle, introductory price play a long term role in the success of the product. In the same way to sustain the growth, to stay in the competitive market for a longer period, the pricing plays some role.
c) Discounts and allowances:- discounts and reduction in prices from list price given by seller to buyers, and allowances are discounts offer to the intermediaries for doing something which will improve the business.
d) Geographical factors:- geographical adjustments are made by producers or by channel members on list price or different prices for different regions based on transportation cost towards delivering the product to buyers.

## 5.4 Tendering

This pricing process involves two organizations or business firms or between Government and business firms. In tendering process, the supplier firm submits a sealed-bid for a product or service or a project. The supplier firm fixes its price on expectations of how their competitors will price the offer, so that they win the contract. The sealed bid price has to strike a balance between profit and probability of winning the contract for execution.

**Sample questions:-**

1. Briefly describe the importance of pricing of an offering – product or service from the view point of a marketer.
2. Write on any three factors involved in pricing decisions.
3. What is survival pricing? When is it applicable?
4. Describe skimming pricing.  In what situations is this pricing strategy adopted by the marketer.
5. What is the unique feature in premium pricing strategy?
6. Describe any five pricing strategy having company policy involvement.
7. Define Break- even analysis in brief. How does it help entrepreneurs?
8. What is sealed- bid pricing? Where is it applicable?
9. Briefly write on the tendering process.

**Suggestive readings:-**

1. Marketing Management; Kotler,P and others. Pearson Education
2. Basic Marketing; Perreault & McCarthy, McGraw Hill
3. Marketing; Kerin, R.A. and others, McGraw Hill

# Unit 6: <u>Promotion and Branding</u>

## 6.1 Introduction

Promotion is the fourth 'P' in the marketing mix elements. It is a programme through which communication, consumers' attention drawing and attracting them towards a brand, product knowledge and finally demand of a product-brand takes place. In the competitive world, promotion plays an important function where innovation is rapidly replacing the existing products regularly.

Promotion means communicating some information or knowledge to the potential buyer or user from the part of marketer. Marketing organization's communications with the players in the marketplace, namely, the customers, intermediaries; take place in a well-planned and controlled manner. The tools used to achieve communication objectives are termed as promotional mix. The elements of this mix are- advertising, sales promotion, publicity/ public relations, direct marketing and personal selling.

<u>Advertising</u>- it is defined as a paid form of non-personal communication about a product, service, idea, event or an organization by an identified sponsor. Examples are newspaper, television, hoarding advertising for a product/ service.

<u>Sales Promotion</u>- it is a promotional activity that provide extra value or some incentives to the customers, intermediaries or sales force to generate immediate results. Sales promotion is divided into two broad categories: (i) consumer oriented promotion and (ii) trade oriented promotion. Examples are discounts, gifts, incentives, premiums, add-ons.

<u>Publicity</u>- it's a non-personal presentation of an organisation, programme, event or service. Expenditure incurred is indirectly paid by the sponsor in the form of news story or announcements, unlike in advertisements. Like run for a better life, cleanliness campaign by corporates under their banner.

<u>Personal selling</u>- it involves direct verbal communication between seller and target customers. it is essential in the promotional mix of some firms. This process gives sales people an immediate feedback.

Direct marketing- it is a direct communication with the individual customer without a face-to-face interaction. Examples are tele-calling, direct mail, etc.

## 6.2 Importance of Advertising and Sales promotion

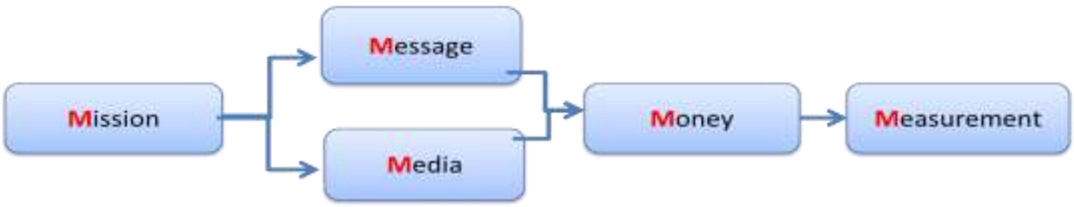
Promotion includes all the activities any marketer undertakes to communicate and promote the products and services for the prospects. Advertising and Sales Promotion are the two most important and widely used tools in the promotion component of marketing mix elements.

### 6.2.1 Advertising

Advertising is a paid form of non personal presentation and promotion of goods, services, ideas by an identified sponsor.

Advertising campaign programme involves five M's. They are- Mission, Message, Money, Media and Measurement.

Mission refers to the objective of the advertising campaign. Message refers to the type of wording and appeal, media means through which the message is channelized to the audience. Money is needed to complete the campaign and measurement refers to taking stock of the effectiveness of the programme.




5 M s of Advertising.

The functions of advertising are:-

- Stimulates demand
- Supports other promotion mix element like personal selling, direct marketing, publicity and sales promotion.
- Lowers price
- Develops healthy competition
- Develops brand preference
- Instrumental in cutting down production and selling costs through increasing sales volume.

- Helps the growth of different media.

### 6.2.2 Sales Promotion:

Sales promotion is the second important tool in the promotion mix. Sales promotion consists of many types of incentives and techniques, to stimulate quicker response or greater purchase of product and services. It includes both consumer and trade. Sales promotion programmes are mostly short-term activity.

Sales promotion tools are:-

i. Consumer promotion tools are:
    - Price discounts
    - Bonus pack
    - Coupons
    - Free trials
    - No interest financing
    - Samples
    - Contests
    - Premiums
    - Exchange offer
    - Continuity programmes

ii. Trade- oriented promotion tools:
    - Buying allowance
    - Cash rebate
    - Display and advertising allowance
    - Sales contests
    - Free goods
    - Trade coupons
    - Dealer loaders

## 6.3 Branding Concepts and Benefits

Branding is a key component of modern marketing. It helps consumers to recognize and identify a product of their choice easily and efficiently. Branding distinguishes a product of one particular producer from the host of similar products available in the market.

Brand is a name, sign, symbol, design or a combination of them developed to identify goods or services one marketer from the competitors offering.

Benefits of branding are:

- Identification of source of product or service

- Reduces risk of using
- Reduces searching time for consumers and intermediaries
- Provides promise
- Assures quality standard
- Means of legally protecting product features
- Provides competitive advantage

Items that can be branded are:

- Physical goods
- Services
- Retailers and distributors
- Online services organizations
- Sports
- Entertainment
- Ideas
- Geographical locations

## 6.4 Packaging and labelling

Packaging of a product refers to the container or wrapper providing protective cover to the offering. When a product is delivered to a consumer it is done in a package. For example when we buy a bottle of shampoo, it is delivered to the consumer in a package i.e. its container. Packaging perform several functions, most importantly providing a protective cover, making it tamper proof, preventing from contamination, ease to handling by the trade and consumer. It is also used to attract the attention of the customer when in the store shelf. Packaging helps in usage of the product conveniently. Examples are toothpaste tubes, insect refilling sprays to perfume containers.

Labelling is an integral part of package and help in identification of the product and its brand, who made it, where and when it was made, ingredients used in the manufacturing process, marketers name and address together with manufacturing license, if applicable.

## 6.5 Warranty and Guarantee

Guarantee means that the product offered by the marketer is free from any manufacturing defect. And in case of any defect detected at the consumer end is liable for replacement by a new one.

Warranty is a promise by the manufacturer about the product's performance. If the product fails to perform as per expectations it can be given for free repair or replacement as the case may be. Warranty enhances the credibility in the eye of the customers.

Sample questions:

1. What is packaging?
2. What is labelling?
3. Discuss the main purpose of packaging.
4. Describe in detail the benefits of labelling.
5. Define guarantee.
6. Define warrantee.
7. How does warrantee help in promoting a product?
8. Define Brand.
9. What are the main benefits of branding?
10. "Brand helps in differentiating similar offerings of competing companies". Explain.
11. Define advertising.
12. Define sales promotion.
13. Distinguish between advertising and sales promotion with examples.
14. Define the 5 Ms of advertising with a neat diagram.
15. Describe six trade oriented promotion tools.
16. Explain the terms (i) message (ii) media (iii) measurement as used in advertising.
17. Using one example of your choice describe how advertising influence consumers.

**Suggestive readings:-**


1. Marketing Management; Kotler,P and others. Pearson Education
2. Basic Marketing; Perreault & McCarthy, McGraw Hill
3. Advertising and Sales Promotion; Kazmi, SHH and others, Excel Books
4. Brand Management; Verma, H, Excel Books
5. Strategic Brand Management; Kapferer,J.N. Kogan Page


# Unit 7: <u>RURAL MARKETING</u>

## 7.1 Introduction

Indian rural market is very vast. Over 74% of India's 125crore population live in 6, 30,000 villages spread over this vast country. The vastness of the rural market poses both a challenge and an opportunity to the marketers. The desire to improve the living standard is the call of the day in rural areas as in the urban areas.
The marketing strategy to tap this huge market potential must take into consideration, the exclusive characteristics of rural population and their consumption pattern.

### 7.1.1 Buying behaviour

Rural buying behaviour differs from that of typical urban Indian buying pattern. Values, aspirations and need of rural people vastly differ from that of urban population. Following are the typical buying behaviour:

- Rural prosperity is linked to a sizeable extent with agricultural prosperity. So it is seasonal.
- Buying decisions are mainly influenced by social customs, traditions and beliefs.
- Elderly members of the family used to take decisions
- Rural Indian population buy small quantities, large number of times.
- Often buy in loose form.

## 7.2 Potential

Following factors have been responsible for the boom in rural marketing:

- Large inflow of investment for rural development programmes from government and other sources.
- Agrarian prosperity through increased yield.
- Better procurement prices for various crops.
- Emerging telecommunication facilities.
- Spread of education and consciousness.
- Improved road connectivity and transportation
- Huge competition in urban markets shifting focus towards rural areas.

## 7.3 Problems

- Underdevelopment markets- poverty and under-development is a big hurdle in rural marketing.
- Low per capita income- leading to less purchasing power.
- Physical communication- these facilities are lacking in many parts leading to slow movement of products.
- Too many languages and dialects- this hinders the promotional communication and hence brand loyalty.
- Conservative mind set- leading to lack of adaptation of modern products.
- Insufficient storage and warehousing facilities.
- Poor standard of living- this lowers the demand for value-added products.

## 7.4 Strategy

Product- small quantity packs, based on tastes and preferences.

Pricing- lower unit price within the purchasing power.

Distribution- mainly merchant middleman, namely wholesalers and barefoot retailers. Local delivery or sub-distribution and company's own barefoot distribution.

Promotion- television, radio, and puppet shows, A-V vans, mike announcement, stalls in melas and haats, wall painting, focus on reference groups.

Sample questions:

1. Describe characteristics of rural market.
2. Highlight the features of rural India.
3. Detail the problems faced by the marketers in rural India.
4. Identify the rural consumer buying behaviour.

**Suggested readings:-**

- Rural Marketing; Singh & Pandey; New Age International
- Rural Marketing; Mathur,V.C. Excel Books
- Rural Marketing; Singh, B. Anmol Publications

# Unit 8:EXPORT MARKETING

## 8.1 Introduction

Export marketing means selling one countries produce overseas. Selling in overseas market is a highly specialized job. Marketing beyond the national boundaries is completely different from that of domestic scenario. Market orientation beyond the political borders requires knowledge of the environment which is quite different from that of domestic conditions in terms of political, legal, social, cultural, technological and economic factors.

**From Domestic to Export Marketing**

Domestic marketing is targeted exclusively on the home country market. Companies involved in domestic marketing may be knowledgeable in its territorial factors and avoiding the challenges of learning and adopting how things are outside its own territory.

Export marketing is on the other hand, the first step towards grabbing market opportunities outside the home country. Export marketer depends upon home-country made products to supply to foreign markets. A matured exporter will take note of the target foreign market and develop products to meet the specific needs of that country.

Characteristics of a shift from domestic to export market

| Mgt. functions | Focus | Marketing strategy | Manufacturing base | Work centre | Investment |
|---|---|---|---|---|---|

| Type | | | | | |
|---|---|---|---|---|---|
| **Domestic** | Home country | Home country | Domestic | Mainly domestic | Domestic |
| **Export** | Ethnocentric- similarity to home country | Extension of home country policies | International | Mainly domestic | Domestic and foreign |

## 8.2 Potential

Export marketing is a part of international marketing. It implies selling of one country's produce to some other countries. Exports are of immense importance for a country like ours, to earn foreign exchange in order to finance the imports of vital inputs. The items imported from outside help us to manufacture state-of-the-art products for further exports. India's export performance in the post- liberation period is much better than what it was before 1991-1992. Our share in world exports increased substantially thereafter. It is due to better performance in export arena and technological upgradation over the past three decades, supported by favourable economic environment.

From traditional export items like jute, leather, minerals, etc. we have shifted to manufactured goods, namely engineering items, electronics, gems and jewellery, textiles, pharmaceuticals, etc.

Service sector is another area in which India is doing well in exporting her expertise of knowledge in the form of consultancy. These include financial services, information services, computer software services, hospitality sector, infrastructure development and many more.

## 8.3 Problems

The problems are:-

- Global competition
- Technological break- through
- Product obsolescence
- Substitution
- Political interference
- Entry restrictions

- Exchange value fluctuations
- Shorter product life cycle
- Rapid change in consumer life style

## 8.4 Strategies

Export marketing focuses on the customer requirements in the target market. The export marketer does not take the domestic product in 'as it is condition' for exporting. It is modified to the meet the likely preferences of the target country customers. Export marketing requires:

a) An understanding of target country's market environment along with opportunities and problems.
b) Application of analytical tools of marketing, such as,
    i. Use of marketing research and fixing market potential
    ii. Product design and pricing decisions, distribution and channel decisions and promotional strategies.
    iii. Organization, planning, implementation and control.

Apart from the above mentioned factors, details of geographical and demographical issues along with the import rules and regulation to be taken into account.

## 8.5 Export Promotion Councils

The basic objective of export promotion councils (EPCs) is to promote and develop the exports of the country. There are separate councils for a particular group of products, projects and services. EPCs are non-profit making organizations and supported and financially assisted by government of India.

The main role of EPCs is to project India's image abroad as a reliable source of high quality goods and services. EPCs encourage and monitor the observance of international standards and specifications by explorers. Councils continuously monitors the trends and opportunities in the international markets and assist the member companies in taking advantage of such opportunities to diversify and expand exports.

## 8.5.1 Functions of EPCs

- To provide commercially viable information and assistance to the members in developing and expanding their exports.
- To professionally advising members in technological upgradation, quality and design improvement, innovation, standard and specifications.
- To organise participation in trade fairs, exhibitions and buyer- seller meets in India and abroad.

- To provide data on exports and imports of the country, of their members and other relevant data.

**Sample questions:**

1. Describe the reasons behind a domestic business house venturing for export marketing.
2. What are the major functions of export promotion councils?
3. Define various foreign market entry strategies.
4. Identify the major problems an Indian exporter faces.

**Suggested readings**


- Export Marketing; Rathor, B.S. Himalaya Publishing
- Export Management; Balagopal, T.A.S. Himalaya Publishing
- Export Management; Kalkundrikar,A.B. Sterling Publishers