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BA4207

MARKETING MANAGEMENT

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UNIT I INTRODUCTION Defining Marketing − Core concepts in Marketing – Evolution of Marketing − Marketing Planning Process − Scanning Business environment: Internal and External − Value chain − Core Competencies – PESTEL − SWOT Analysis − Marketing interface with other functional areas – Production, Finance, Human Relations Management, Information System − Marketing in global environment – International Marketing − Rural Marketing − Prospects and Challenges.

UNIT II MARKETING STRATEGY Marketing strategy formulations – Key Drivers of Marketing Strategies - Strategies for Industrial Marketing – Consumer Marketing − Services marketing – Competition Analysis − Analysis of consumer and industrial markets − Influence of Economic and Behavioral Factors − Strategic Marketing Mix components.

UNIT III MARKETING MIX DECISIONS Product planning and development – Product life cycle – New product Development and Management – Defining Market Segmentation – Targeting and Positioning − Brand Positioning and Differentiation – Channel Management – Managing Integrated Marketing Channels − Managing Retailing, Wholesaling and Logistics − Advertising and Sales Promotions – Pricing Objectives, Policies and Methods

UNIT IV BUYER BEHAVIOUR Understanding Industrial and Consumer Buyer Behavior − Influencing factors – Buyer Behaviour Models – Online buyer behaviour − Building and measuring customer satisfaction – Customer relationships management – Customer acquisition, Retaining, Defection − Creating Long Term Loyalty Relationships.

UNIT V MARKETING RESEARCH & TRENDS IN MARKETING Marketing Information System – Marketing Research Process – Concepts and applications: Product – Advertising – Promotion – Consumer Behaviour – Retail research – Customer driven organizations - Cause related marketing − Ethics in marketing – Online marketing trends - social media and digital marketing

UNIT – I

INTRODUCTION

1.MARKETING

–It is a social process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.

1.1 Definition:

Management process through which goods and services move from concept to the customer. As a philosophy, it is based on thinking about the business in terms of customer needs and their satisfaction.

As a practice, it consists in coordination of four elements called 4P's: (1) identification, selection, and development of a product, (2) determination of its price, (3) selection of a distribution channel to reach the customer's place, and (4) development and implementation of a promotional strategy.

The American Marketing Association defines, Marketing management is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, services to create exchanges that satisfy individual and organisational goals.

1.2.Conceptual Framework

1.2.1Target Market:

Companies do best when they choose their target market(s) carefully and prepare tailored marketing programs.

1.2.2.Customer Needs:

We can distinguish among five types of needs:

1. Stated needs (the customer wants an inexpensive car).
2. Real needs (the customer wants a car who operating cost, not its initial price, is low).
3. Unstated needs (the customer expects good service from the dealer).
4. Delight needs (the customer would like the dealer to include an onboard navigation system).
5. Secret needs (the customer wants to be seen by friends as a savvy consumer).

1.2.3Integrated Marketing:

When all the company‘s departments work together to serve the customer‘s interests, the result is integrated marketing. It takes place on two levels, 1.Various marketing function, 2. By other department.

1.2.4.Profitability :

A company makes money by satisfying customer needs than its competitors.

1.2.5.The Marketing Process

Under the marketing concept, the firm must find a way to discover unfulfilled customer needs and bring to market products that satisfy those needs. The process of doing so can be modelled in a sequence of steps: the situation is analyzed to identify opportunities, the strategy is formulated for a value proposition, tactical decisions are made, the plan is implemented and the results are monitored.

The Marketing Process

Situation Analysis

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Marketing Strategy

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Marketing Mix Decisions

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Implementation & Control

1.2.5.1Situation Analysis

A thorough analysis of the situation in which the firm finds itself serves as the basis for identifying opportunities to satisfy unfulfilled customer needs. In addition to identifying the customer needs, the firm must understand its own capabilities and the environment in which it is operating.

The situation analysis thus can be viewed in terms an analysis of the external environment and an internal analysis of the firm itself. The external environment can be described in terms of macro-environmental factors that broadly affect many firms, and micro-environmental factors closely related to the specific situation of the firm.

The situation analysis should include past, present, and future aspects. It should include a history outlining how the situation evolved to its present state, and an analysis of trends in order to forecast where it is going. Good forecasting can reduce the chance of spending a year bringing a product to market only to find that the need no longer exists.

If the situation analysis reveals gaps between what consumers want and what currently is offered to them, then there may be opportunities to introduce products to better satisfy those consumers. Hence, the situation analysis should yield a summary of problems and opportunities. From this summary, the firm can match its own capabilities with the opportunities in order to satisfy customer needs better than the competition.

There are several frameworks that can be used to add structure to the situation analysis:

- ✓ 5 C Analysis - company, customers, competitors, collaborators, climate. Company represents the internal situation; the other four cover aspects of the external situation
- ✓ PEST analysis - for macro-environmental political, economic, societal, and technological factors. A PEST analysis can be used as the "climate" portion of the 5 C framework.
- ✓ SWOT analysis - strengths, weaknesses, opportunities, and threats - for the internal and external situation. A SWOT analysis can be used to condense the situation analysis into a listing of the most relevant problems and opportunities and to assess how well the firm is equipped to deal

with them.

1.2.6.Marketing Strategy

Once the best opportunity to satisfy unfulfilled customer needs is identified, a strategic plan for pursuing the opportunity can be developed. Market research will provide specific market information that will permit the firm to select the target market segment and optimally position the offering within that segment. The result is a value proposition to the target market. The marketing strategy then involves:

- Segmentation
- Targeting (target market selection)
- Positioning the product within the target market
- Value proposition to the target market

1.2.6.1.Marketing Mix Decisions

Detailed tactical decisions then are made for the controllable parameters of the marketing mix. The action items include:

- ✓ Product development - specifying, designing, and producing the first units of the product.
- ✓ Pricing decisions
- ✓ Distribution contracts
- ✓ Promotional campaign development

1.2.7Implementation and Control

At this point in the process, the marketing plan has been developed and the product has been launched. Given that few environments are static, the results of the marketing effort should be monitored closely. As the market changes, the marketing mix can be adjusted to accomodate the changes. Often, small changes in consumer wants can addressed by changing the advertising message. As the changes become more significant, a product redesign or an entirely new product may be needed. The marketing process does not end with implementation - continual monitoring and adaptation is needed to fulfill customer needs consistently over the long-term.

1.3.The Marketing Environment

The marketing environment surrounds and impacts upon the organization. There are three key perspectives on the marketing environment, namely the 'macro-environment,' the 'micro-environment' and the 'internal environment'.

1.3.1The micro-environment

This environment influences the organization directly. It includes suppliers that deal directly or indirectly, consumers and customers, and other local stakeholders. Micro tends to suggest small, but this can be misleading. In this context, micro describes the relationship between firms and the driving forces that control this relationship. It is a more local relationship, and the firm may exercise a degree of influence.

1.3.2The macro-environment

This includes all factors that can influence and organization, but that are out of their direct control. A company does not generally influence any laws (although it is accepted that they could lobby or be part of a trade organization). It is continuously changing, and the company needs to be flexible to adapt. There may be aggressive competition and rivalry in a market. Globalization means that there is always the threat of substitute products and new entrants. The wider environment is also ever changing, and the marketer needs to compensate for changes in culture, politics, economics and technology.

1.3.3The internal environment.

All factors that are internal to the organization are known as the 'internal environment'. They are generally audited by applying the 'Five Ms' which are **M**en, **M**oney, **M**achinery, **M**aterials and **M**arkets. The internal environment is as important for managing change as the external. As marketers we call the process of managing internal change'internal marketing.'

Essentially we use marketing approaches to aid communication and change management.

Five Forces Analysis

Analyzing the environment - Five Forces Analysis

1.3.4Five Forces Analysis helps the marketer to contrast a competitive environment. It has similarities with other tools for environmental audit, such as PEST analysis, but tends to focus on the single, stand alone, business or SBU (Strategic Business Unit) rather than a single product or range of products. For example, Dell would analyse the market for Business Computers i.e. one of its SBUs.

Five forces analsysis looks at five key areas namely the threat of entry, the power of buyers, the power of suppliers, the threat of substitutes, and competitive rivalry.

1.3.5.The threat of entry.

- ✓ Economies of scale e.g. the benefits associated with bulk purchasing.
- ✓ The high or low cost of entry e.g. how much will it cost for the latest technology?
- ✓ Ease of access to distribution channels e.g. Do our competitors have the distribution channels sewn up?
- ✓ Cost advantages not related to the size of the company e.g. personal contacts or knowledge that larger companies do not own or learning curve effects.
- ✓ Will competitors retaliate?
- ✓ Government action e.g. will new laws be introduced that will weaken our competitive position?
- ✓ How important is differentiation? e.g. The Champagne brand cannot be copied. This desensitises the influence of the environment.

1.3.6.The power of buyers.

- ✓ This is high where there a few, large players in a market e.g. the large grocery chains.
- ✓ If there are a large number of undifferentiated, small suppliers e.g. small farming businesses supplying the large grocery chains.
- ✓ The cost of switching between suppliers is low e.g. from one fleet supplier of trucks to another.

1.3.7The power of suppliers.

- ✓ The power of suppliers tends to be a reversal of the power of buyers.
- ✓ Where the switching costs are high e.g. Switching from one software supplier to another.
- ✓ Power is high where the brand is powerful e.g. Cadillac, Pizza Hut, Microsoft.
- ✓ There is a possibility of the supplier integrating forward e.g. Brewers buying bars.

- ✓ Customers are fragmented (not in clusters) so that they have little bargaining power e.g. Gas/Petrol stations in remote places.

1.3.8 The threat of substitutes

- ✓ Where there is product-for-product substitution e.g. email for fax Where there is substitution of need e.g. better toothpaste reduces the need for dentists.
- ✓ Where there is generic substitution (competing for the currency in your pocket) e.g. Video suppliers compete with travel companies.
- ✓ We could always do without e.g. cigarettes.

1.3.9 Competitive Rivalry

- ✓ This is most likely to be high where entry is likely; there is the threat of substitute products, and suppliers and buyers in the market attempt to control. This is why it is always seen in the center of the diagram.

1.4. Marketing Interfaces with other functional areas

The marketing function within any organization does not exist in isolation. Therefore it's important to see how marketing connects with and permeates other functions within the organization. In this next section let's consider how marketing interacts with research and development, production/operations/logistics, human resources, IT and customer service. Obviously all functions within your organization should point towards the customer i.e. they are customer oriented from the warehouseman that packs the order to the customer service team member who answers any queries you might have. So let's look at these other functions and their relationship with marketing.

Research and development

Research and development is the engine within an organization which generates new ideas, innovations and creative new products and services. For example cell phone/mobile phone manufacturers are in an industry that is ever changing and developing, and in order to survive manufacturers need to continually research and develop new software and hardware to compete in a very busy marketplace. Think about cell phones that were around three or four years ago which are now completely obsolete. The research and development process delivers new products and is continually innovating.

Innovative products and services usually result from a conscious and purposeful search for innovation opportunities which are found only within a few situations.

Peter Drucker (1999)

Research and development should be driven by the marketing concept. The needs of consumers or potential consumers should be central to any new research and development in order to deliver products that satisfy customer needs (or service of course). The practical research and development is undertaken in central research facilities belonging to companies, universities and sometimes to countries. Marketers would liaise with researchers and engineers in order to make sure that customer needs are represented. Manufacturing processes themselves could also be researched and developed based upon some aspects of the marketing mix. For example logistics (place/distribution/channel) could be researched in order to deliver products more efficiently and effectively to customers.

Production/operations/logistics

As with research and development, the operations, production and logistics functions within business need to work in cooperation with the marketing department.

Operations include many other activities such as warehousing, packaging and distribution. To an extent, operations also includes production and manufacturing, as well as logistics. Production is where goods and services are generated and made. For example an aircraft is manufactured in a factory which is in effect how it is produced i.e. production. Logistics is concerned with getting the product from production or warehousing, to retail or the consumer in the most effective and efficient way. Today logistics would include warehousing, trains, planes and lorries as well as technology used for real-time tracking.

Obviously marketers need to sell products and services that are currently in stock or can be made within a reasonable time limit. An unworkable scenario for a business is where marketers are attempting to increase sales of a product whereby the product cannot be supplied. Perhaps there is a warehouse full of other products that our marketing campaign is ignoring.

Human resources

Human Resource Management (HRM) is the function within your organization which overlooks recruitment and selection, training, and the professional development of employees. Other related functional responsibilities include well-being, employee motivation, health and safety, performance management, and of course the function holds knowledge regarding the legal aspects of human resources.

So when you become a marketing manager you would use the HR department to help you recruit a marketing assistant for example. They would help you with scoping out the job, a person profile, a job description, and advertising the job. HR would help you to score and assess application forms, and will organise the interviews. They may offer to assist at interview and will support you as you make your job offer. You may also use HR to organise an induction for your new employee. Of course there is the other side of the coin, where HR sometimes has to get tough with underperforming employees. These are the operational roles of HR.

Your human resources Department also have a strategic role. Moving away from traditional personnel management, human resources sees people as a valuable asset to your organization. Say they will assist with a global approach to managing people and help to develop a workplace culture and environment which focuses on mission and values.

They also have an important communications role, and this is one aspect of their function which is most closely related to marketing. For example the HR department may run a staff development programme which needs a newsletter or a presence on your intranet. This is part of your internal marketing effort.

IT (websites, intranets and extranets)

If you're reading this lesson right now you are already familiar with IT or Information Technology. To define it you need to consider elements such as computer software, information systems, computer hardware (such as the screen you are looking at), and programming languages. For our part is marketers we are concerned with how technology is used to treat information i.e. how we get information, how we process it, how we store the information, and then how we disseminate it again by voice, image or graphics. Obviously this is a huge field but for our part we need to recognise the importance of websites, intranets and extranets to the marketer. So here's a quick intro.

A website is an electronic object which is placed onto the Internet. Often websites are used by businesses for a number of reasons such as to provide information to customers. So customers can interact with the product, customers can buy a product, more importantly customers begin to build a long-term relationship with the marketing company. Information Technology underpins and supports the basis of Customer Relationship Management (CRM), a term which is investigated in later lessons.

An intranet is an internal website. An intranet is an IT supported process which supplies up-to-date information to employees of the business and other key stakeholders. For example European train operators use an intranet to give up-to-date information about trains to people on the ground supporting customers.
An extranet is an internal website which is extended outside the organization, but it is not a public website. An extranet takes one stage further and provides information directly to customers/distributors/clients.

Customers are able to check availability of stock and could check purchase prices for a particular product. For example a car supermarket could check availability of cars from a wholesaler.

Customer service provision

Customer service provision is very much integrated into marketing. As with earlier lessons on what is marketing?, the exchange process, customer satisfaction and the marketing concept, customer service takes the needs of the customer as the central driver. So our customer service function revolves around a series of activities which are designed to facilitate the exchange process by making sure that customers are satisfied. Think about a time when you had a really good customer service experience. Why were you so impressed or delighted with the customer service? You might have experienced poor customer service. Why was it the case?

Today customer service provision can be located in a central office (in your home country or overseas) or actually in the field where the product is consumed. For example you may call a software manufacturer for some advice and assistance. You may have a billing enquiry. You might even wish to cancel a contract or make changes to it. The customer service provision might be automated, it could be done solely online, or you might speak to a real person especially if you have a complex or technical need. Customer service is supported by IT to make the process of customer support more efficient and effective, and to capture and process data on particular activities. So the marketer needs to make sure that he or she is working with the customer service provision since it is a vital customer interface. The customer service provision may also provide speedy and timely information about new or developing customer needs. For example if you have a promotion which has just been launched you can use the customer service functions to help you check for early signs of success.

Finance department

The marketing department will need to work closely with the finance department to ensure that:
There is an adequate budget to meet the needs for research, promotion and distribution. The finance department has a whole organisation brief to ensure that all the business operates within its financial capabilities. They will want all departments to work within their allocated budgets. Like all departments, marketing may wish to overspend if profitable marketing opportunities emerge over the year. The marketing department is likely to concentrate on sales volume and building market share, while the finance department may be more focused on cash flow, covering costs and paying back investment as quickly as possible.

1.5.Marketing In Global Environment – Prospects And Challenges

1.5.1Global marketing as –marketing on a worldwide scale reconciling or taking commercial advantage of global operational differences, similarities and opportunities in order to meet global objectives.

Here are three reasons for the shift from domestic to global marketing.

1.5.2.WORLD WIDE COMPETITION

One of the product categories in which global competition has been easy to track in U.S.is automotive sales. The increasing intensity of competition in global markets is a challenge facing companies at all stages of involvement in international markets.

As markets open up, and become more integrated, the pace of change accelerates, technology shrinks distances between markets and reduces the scale advantages of large firms, new sources of competition emerge, and competitive pressures mount at all levels of the organization.

Also, the threat of competition from companies in countries such as India, China, Malaysia, and Brazil is on the rise, as their own domestic markets are opening up to foreign competition, stimulating greater awareness of international market opportunities and of the need to be internationally competitive. Companies which previously focused on protected domestic markets are entering into markets in other countries, creating new sources of competition, often targeted to price-sensitive market segments.

Not only is competition intensifying for all firms regardless of their degree of global market involvement, but the basis for competition is changing. Competition continues to be market-based and ultimately relies on delivering superior value to consumers. However, success in global markets depends on knowledge accumulation and deployment.

1.5.3EVOLUTION TO GLOBAL MARKETING

Global marketing is not a revolutionary shift, it is an evolutionary process. While the following does not apply to all companies, it does apply to most companies that begin as domestic-only companies.

1.5.3.1Domestic marketing

A marketing restricted to the political boundaries of a country, is called "Domestic Marketing". A company marketing only within its national boundaries only has to consider domestic competition. Even if that competition includes companies from foreign markets, it still only has to focus on the competition that exists in its home market. Products and services are developed for customers in the home market without thought of how the product or service could be used in other markets. All marketing decisions are made at headquarters.

The biggest obstacle these marketers face is being blindsided by emerging global marketers. Because domestic marketers do not generally focus on the changes in the global marketplace, they may not be aware of a potential competitor who is a market leader on three continents until they simultaneously open 20 stores in the Northeastern U.S. These marketers can be considered ethnocentric as they are most concerned with how they are perceived in their home country. exporting goods to other countries.

1.5.3.2International marketing

If the exporting departments are becoming successful but the costs of doing business from headquarters plus time differences, language barriers, and cultural ignorance are hindering the company‘s competitiveness in the foreign market, then offices could be built in the foreign countries. Sometimes companies buy firms in the foreign countries to take advantage of relationships, storefronts, factories, and personnel already in place.

These offices still report to headquarters in the home market but most of the marketing mix decisions are made in the individual countries since that staff is the most knowledgeable about the target markets. Local product development is based on the needs of local customers. These marketers are considered polycentric because they acknowledge that each market/country has different needs.

1.5.4ELEMENTS OF THE GLOBAL MARKETING MIX

The ―Four P‘s‖ of marketing: product, price, placement, and promotion are all affected as a company moves through the five evolutionary phases to become a global company. Ultimately, at the global marketing level, a company trying to speak with one voice is faced with many challenges when creating a worldwide marketing plan. Unless a company holds the same position against its competition in all markets (market leader, low cost, etc.) it is impossible to launch identical marketing plans worldwide.

1.5.4.1Product

A global company is one that can create a single product and only have to tweak elements for different markets. For example, Coca-Cola uses two formulas (one with sugar, one with corn syrup) for all markets. The product packaging in every country incorporates the contour bottle design and the dynamic ribbon in some way, shape, or form. However, the bottle or can also includes the country‘s native language and is the same size as other beverage bottles or cans in that same country.

1.5.4 .2Price

Price will always vary from market to market. Price is affected by many variables: cost of product development (produced locally or imported), cost of ingredients, cost of delivery (transportation, tariffs, etc.), and much more. Additionally, the product‘s position in the relation to the competition influences the ultimate profit margin. Whether this product is considered the high-end, expensive choice, the economical, low-cost choice, or something in-between helps determine the price point.

Placement

How the product is distributed is also a country-by-country decision influenced by how the competition is being offered to the target market. Using Coca-Cola as an example again, not all cultures use vending machines. In the United States, beverages are sold by the pallet via warehouse stores. In India, this is not an option. Placement decisions must also consider the product‘s position in the market place. For example, a high-end product would not want to be distributed via a ―dollar store‖ in the United States. Conversely, a product promoted as the low-cost option in France would find limited success in a pricey boutique.

Promotion

After product research, development and creation, promotion (specifically advertising) is generally the largest line item in a global company‘s marketing budget. At this stage of a company‘s development, integrated marketing is the goal. The global corporation seeks to reduce costs, minimize redundancies in personnel and work, maximize speed of implementation, and to speak with one voice. If the goal of a global company is to send the same message worldwide, then delivering that message in a relevant, engaging, and cost-effective way is the challenge.

Effective global advertising techniques do exist. The key is testing advertising ideas using a marketing research system proven to provide results that can be compared across countries. The ability to identify which elements or moments of an ad are contributing to that success is how economies of scale are maximized. Market research measures such as Flow of Attention, Flow of Emotion and branding moments provide insights into what is working in an ad in any country because the measures are based on visual, not verbal, elements of the ad.

Advantages

- ✓ The advantages of global market we can introduce our product by using advertizing
- ✓ Economies of scale in production and distribution
- ✓ Lower marketing costs
- ✓ Power and scope
- ✓ Consistency in brand image
- ✓ Ability to leverage good ideas quickly and efficiently
- ✓ Uniformity of marketing practices
- ✓ Helps to establish relationships outside of the "political arena"
- ✓ Helps to encourage ancillary industries to be set up to cater for the needs of the global player

- ✓ Benefits of eMarketing over traditional marketing

Reach

The nature of the internet means businesses now have a truly global reach. While traditional media costs limit this kind of reach to huge multinationals, eMarketing opens up new avenues for smaller businesses, on a much smaller budget, to access potential consumers from all over the world.

Scope

Internet marketing allows the marketer to reach consumers in a wide range of ways and enables them to offer a wide range of products and services. eMarketing includes, among other things, information management, public relations, customer service and sales. With the range of new technologies becoming available all the time, this scope can only grow.

Interactivity

Whereas traditional marketing is largely about getting a brand‘s message out there, eMarketing facilitates conversations between companies and consumers. With a two way communication channel, companies can feed off of the responses of their consumers, making them more dynamic and adaptive.

Immediacy

Internet marketing is able to, in ways never before imagined, provide an immediate impact. Imagine you‘re reading your favorite magazine. You see a double-page advert for some new product or service, maybe BMW‘s latest luxury sedan or Apple‘s latest iPod offering. With this kind of traditional media, it‘s not that easy for you, the consumer, to take the step from hearing about a product to actual acquisition. With eMarketing, it‘s easy to make that step as simple as possible, meaning that within a few short clicks you could have booked a test drive or ordered the iPod. And all of this can happen regardless of normal office hours. Effectively, Internet marketing makes business hours 24 hours per day, 7 days per week for every week of the year. By closing the gap between providing information and eliciting a consumer reaction, the consumer‘s buying cycle is speeded up and advertising spend can go much further in creating immediate leads.

Demographics and targeting

Generally speaking, the demographics of the Internet are a marketer‘s dream. Internet users, considered as a group, have greater buying power and could perhaps be considered as a population group skewed towards the middle-classes. Buying power is not all though. The nature of the Internet is such that its users will tend to organize themselves into far more focused groupings. Savvy marketers who know where to look can quite easily find access to the niche markets they wish to target. Marketing messages are most effective when they are presented directly to the audience most likely to be interested. The Internet creates the perfect environment for niche marketing to targeted groups.

Adaptivity and closed loop marketing

Closed Loop Marketing requires the constant measurement and analysis of the results of marketing initiatives. By continuously tracking the response and effectiveness of a campaign, the marketer can be far more dynamic in adapting to consumers‘ wants and needs. With eMarketing, responses can be analyzed in real-time and campaigns can be tweaked continuously. Combined with the immediacy of the Internet as a medium, this means that there‘s minimal advertising spend wasted on less than effective campaigns.

Maximum marketing efficiency from eMarketing creates new opportunities to seize strategic competitive advantages. The combination of all these factors results in an improved ROI and ultimately, more customers, happier customers and an improved bottom line.

Disadvantages

- Differences in consumer needs, wants, and usage patterns for products
- Differences in consumer response to marketing mix elements
- Differences in brand and product development and the competitive environment
- Differences in the legal environment, some of which may conflict with those of the home market
- Differences in the institutions available, some of which may call for the creation of entirely new ones (e.g. infrastructure)
- Differences in administrative procedures
- Differences in product placement.

UNIT II
MARKETING STRATEGY

2.1.Marketing strategy is a process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage. A marketing strategy should be centered around the key concept that customer satisfaction is the main goal.

2.2.Key part of the general corporate strategy

Marketing strategy is a method of focusing an organization's energies and resources on a course of action which can lead to increased sales and dominance of a targeted market niche. A marketing strategy combines product development, promotion, distribution, pricing, relationship management and other elements; identifies the firm's marketing goals, and explains how they will be achieved, ideally within a stated timeframe. Marketing strategy determines the choice of target market segments, positioning, marketing mix, and allocation of resources. It is most effective when it is an integral component of overall firm strategy, defining how the organization will successfully engage customers, prospects, and competitors in the market arena. Corporate strategies, corporate missions, and corporate goals. As the customer constitutes the source of a company's revenue, marketing strategy is closely linked with sales. A key component of marketing strategy is often to keep marketing in line with a company's overarching mission statement.

Basic theory:

1. Target Audience

2. Proposition/Key Element

3. Implementation

2.2.2.Tactics and actions

A marketing strategy can serve as the foundation of a marketing plan. A marketing plan contains a set of specific actions required to successfully implement a marketing strategy. For example: "Use a low cost product to attract consumers. Once our organization, via our low cost product, has established a relationship with consumers, our organization will sell additional, higher-margin products and services that enhance the consumer's interaction with the low-cost product or service."

A strategy consists of a well thought out series of tactics to make a marketing plan more effective. Marketing strategies serve as the fundamental underpinning by marketing plans designed to fill market needs and reach marketing objectives.[5] Plans and objectives are generally tested for measurable results.

A marketing strategy often integrates an organization's marketing goals, policies, and action sequences (tactics) into a cohesive whole. Similarly, the various strands of the strategy , which might include advertising, channel marketing, internet marketing, promotion and public relations can be orchestrated. Many companies cascade a strategy throughout an organization, by creating strategy tactics that then become strategy goals for the next level or group. Each one group is expected to take that strategy goal and develop a set of tactics to achieve that goal. This is why it is important to make each strategy goal measurable.

Marketing strategies are dynamic and interactive. They are partially planned and partially unplanned. See strategy dynamics.

2.3strategies For Industrial Marketing

Marketing strategies may differ depending on the unique situation of the individual business. However there are a number of ways of categorizing some generic strategies. A brief description of the most common categorizing schemes is presented below:

2.3.1.**Strategies based on market dominance** - In this scheme, firms are classified based on their market share or dominance of an industry. Typically there are four types of market dominance strategies:

- Leader
- Challenger
- Follower
- Nicher

2.3.2.**Porter generic strategies -** strategy on the dimensions of strategic scope and strategic strength. Strategic scope refers to the market penetration while strategic strength refers to the firm‘s sustainable competitive advantage. The generic strategy framework (porter 1984) comprises two alternatives each with two alternative scopes. These are Differentiation and low- cost leadership each with a dimension of Focus-broad or narrow.

- Product differentiation (broad)
- Cost leadership (broad)

- Market segmentation (narrow)

2.3.3.**Innovation strategies** - This deals with the firm's rate of the new product development and business model innovation. It asks whether the company is on the cutting edge of technology and business innovation. There are three types:

- Pioneers
- Close followers
- Late followers

2.3.4.**Growth strategies** - In this scheme we ask the question, –How should the firm grow?‖. There are a number of different ways of answering that question, but the most common gives four answers:

- Horizontal integration
- Vertical integration
- Diversification
- Intensification

A more detailed scheme uses the categories

- Prospector
- Analyzer
- Defender
- Reactor

♣ Marketing warfare strategies - This scheme draws parallels between marketing strategies and military strategies.

2.3.5.Strategic models

Marketing participants often employ strategic models and tools to analyze marketing decisions. When beginning a strategic analysis, the 3Cs can be employed to get a broad understanding of the strategic environment. An Ansoff Matrix is also often used to convey an organization's strategic positioning of their marketing mix. The 4Ps can then be utilized to form a marketing plan to pursue a defined strategy.

There are many companies especially those in the Consumer Package Goods (CPG) market that adopt the theory of running their business centered around Consumer, Shopper & Retailer needs. Their Marketing departments spend quality time looking for "Growth Opportunities" in their categories by identifying relevant insights (both mindsets and behaviors) on their target Consumers, Shoppers and retail partners. These Growth Opportunities emerge from changes in market trends, segment dynamics changing and also internal brand or operational business challenges.The Marketing team can then prioritize these Growth Opportunities and begin to develop strategies to exploit the opportunities that could include new or adapted products, services as well as changes to the 7Ps.

2.3.6.Real-life marketing

Real-life marketing primarily revolves around the application of a great deal of common-sense; dealing with a limited number of factors, in an environment of imperfect information and limited resources complicated by uncertainty and tight timescales. Use of classical marketing techniques, in these circumstances, is inevitably partial and uneven.

Thus, for example, many new products will emerge from irrational processes and the rational development process may be used (if at all) to screen out the worst non-runners. The design of the advertising, and the packaging, will be the output of the creative minds employed; which management will then screen, often by 'gut-reaction', to ensure that it is reasonable.

For most of their time, marketing managers use intuition and experience to analyze and handle the complex, and unique, situations being faced; without easy reference to theory. This will often be 'flying by the seat of the pants', or 'gut-reaction'; where the overall strategy, coupled with the knowledge of the customer which has been absorbed almost by a process of osmosis, will determine the quality of the marketing employed. This, almost instinctive management, is what is sometimes called 'coarse marketing'; to distinguish it from the refined, aesthetically pleasing, form favored by the theorists.

2.4 .Consumers Marketing

Definition

Markets dominated by products and services designed for the general consumer. Consumer markets are typically split into four primary categories: consumer products, food and beverage products, retail products, and transportation products. Industries in the consumer markets often have to deal with shifting brand loyalties and uncertainty about the future popularity of products and services.

The mass proliferation of media channels divides and diverts consumers' attention like never before. Successful marketers must define a sound marketing strategy while continually adapting their tactics to the ever-shifting landscape.

In this intense, highly interactive program, senior members of Kellogg's renowned marketing faculty and leading marketing experts guide you through a learning experience that blends theory with sound marketing practice. Through discussions, case studies and collaborative exercises, you'll develop a well-defined approach for identifying attractive targets and effectively positioning products and services for them. You'll go home armed with winning strategies and tactics and inspired to launch them.

2.5. Service Marketing

A **service** is the action of doing something for someone or something. It is largely intangible (i.e. not material). You cannot touch it. You cannot see it. You cannot taste it. You cannot hear it. You cannot feel it. So a service context creates its own series of challenges for the marketing manager since he or she must communicate the benefits of a service by drawing parallels with imagery and ideas that are more tangible.

Search quality is the perception in the mind of the consumer of the quality of the product prior to purchase through making a series of searches. So this is simple in relation to a tangible product because you might look at size or colour for example. Therefore search quality relates more to products and services.

Experience quality is easier to assess. In terms of service you need to taste the food or experience the service level. Therefore your experiences allow you to evaluate the level and nature of the service. You remember a great vacation because of the food or service, but by the same token you remember an awful vacation because of the hopeless food or poor service.

Credence quality is based upon the credibility of the service that you undertake. This is down to the reputation of a dentist or of a decorator. Credence is used where you have little knowledge of the topic and where you rely upon the professionalism of the expert.

Perishable

Perishable – in that once it has occurred it cannot be repeated in exactly the same way. For example, once a 100 meters Olympic final has been run, there will not be another for 4 more years, and even then it will be staged in a different place with many different finalists. You cannot put service in the warehouse, or store in your inventory. An interesting argument about perishability goes like this, once a flight has taken off you cannot sell that seat again, hence the airline makes no profit on that seat. Therefore the airline has no choice but to price at peak when it sells a seat at busy times in order to make a profit. That's why restaurants offer vouchers to compensate for quieter times, and it is the same for railway tickets and matinees in Broadway during the middle of the week.

Variable

Variability- since the human involvement in service provision means that no two services will be completely identical, they are variable. For example, returning to the same garage time and time again for a service on your car might see different levels of customer satisfaction, or speediness of work. If you watch your favourite/favorite music group on DVD the experience will be the same every time you play it, although if you go to see them on tour when they are live no two performances will be identical for a whole variety of reasons. Even with the greatly standardized McDonalds experience, there are slight changes in service, often through no fault of the business itself. Sometimes Saturday lunchtime will be extremely busy, on other days you may have to wait to go via the drive through. So services tend to vary from one user experience to another.

Homogeneous

Homogeneity is where services are largely the same (the opposite of variability above). We considered McDonald's above which is a largely homogeneous service, so now let's look at KFC and Pizza Hut. Both of these businesses provide a homogeneous service experience whether you are in New York, or Alaska, or even Adelaide. Consumers expect the same level of service and would not anticipate any huge deviation in their experience. Outside of the main brands you might expect a less homogeneous experience. If you visit your doctor he or she might give one interpretation, whereas another doctor might offer a different view. Your regular hairdresser will deliver a style whereas a hairdresser in the next town could potentially style your hair differently. Therefore standardization is largely embodied by the large global brands which produce services.

Right of ownership is not taken to the service, since you merely experience it. For example, an engineer may service your air-conditioning, but you do not own the service, the engineer or his equipment. You cannot sell it on once it has been consumed, and do not take ownership of it.

Western economies have seen deterioration in their traditional manufacturing industries, and a growth in their service economies. Therefore the marketing mix has seen extended and adapted to create the services marketing mix, also known as the 7P's or the extended marketing mix – physical evidence, process and people.

A product is tangible (i.e. material) since you can touch it or own it. A service tends to be an experience that is consumed at the point where it is purchased and cannot be owned since it quickly perishes. A person could go to a café one day and enjoy excellent service, and then return the next day and have a poor experience. Marketers talk about the nature of a service as being inseparable, intangible, perishable, homogenous and variable.

Inseparable

Inseparable – from the point where it is consumed, and from the provider of the service. For example, you cannot take a live theatre performance home to consume it (a DVD of the same performance would be a product, not a service). The consumer is actually involved in the production process that they are buying at the same time as it is being produced, for example an eye test or a makeover. One benefit would be that if you are unhappy with you makeover you can tell the beautician and that instant feedback means that the service quality is improved. You can't do that with a product. Another attribute is that services have to be close to the person consuming them i.e. goods can be made in a central factory location which has the benefits of mass production. This localization means that consumption is inseparable from production.

Intangible

Intangible – cannot have a real, physical presence as does a product. For example, motor insurance may have a certificate, but the financial service itself cannot be touched i.e. it is intangible. This makes it tricky to evaluate the quality of service prior to consuming it since there are fewer attributes of quality in comparison to a product. One way is to consider quality in terms of search, experience and credence.

2.6.Competitor Analysis

In formulating business strategy, managers must consider the strategies of the firm's competitors. While in highly fragmented commodity industries the moves of any single competitor may be less important, in concentrated industries **competitor analysis** becomes a vital part of strategic planning.

Competitor analysis has two primary activities, 1) obtaining information about important competitors, and 2) using that information to predict competitor behavior. The goal of competitor analysis is to understand:

- with which competitors to compete,
- competitors' strategies and planned actions,
- how competitors might react to a firm's actions,
- how to influence competitor behavior to the firm's own advantage.

Casual knowledge about competitors usually is insufficient in competitor analysis. Rather, competitors should be analyzed systematically, using organized competitor intelligence-gathering to compile a wide array of information so that well informed strategy decisions can be made.

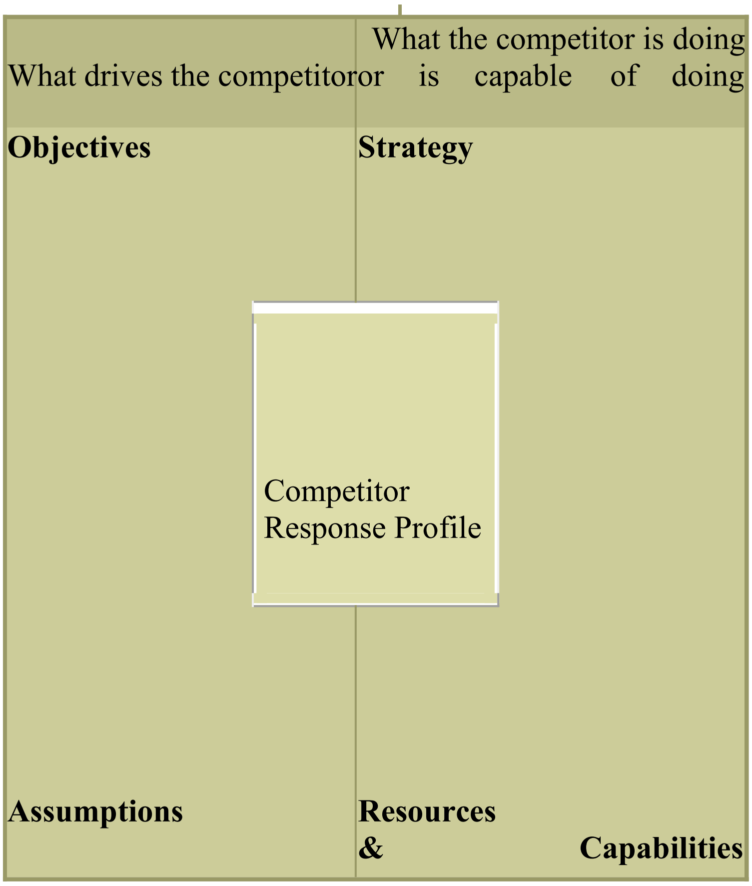
2.6.1.Competitor Analysis Framework

Michael Porter presented a framework for analyzing competitors. This framework is based on the following four key aspects of a competitor:

- Competitor's objectives
- Competitor's assumptions
- Competitor's strategy
- Competitor's capabilities

Objectives and assumptions are what drive the competitor, and strategy and capabilities are what the competitor is doing or is capable of doing. These components can be depicted as shown in the following diagram:

2.6.2.Competitor Analysis Components



A competitor analysis should include the more important existing competitors as well as potential competitors such as those firms that might enter the industry, for example, by extending their present strategy or by vertically integrating.

2.6.3Competitor's Current Strategy

The two main sources of information about a competitor's strategy is what the competitor says and what it does. What a competitor is saying about its strategy is revealed in:

- annual shareholder reports
- 10K reports
- interviews with analysts
- statements by managers
- press releases

However, this stated strategy often differs from what the competitor actually is doing. What the competitor is doing is evident in where its cash flow is directed, such as in the following tangible actions:

- hiring activity
- R & D projects
- capital investments
- promotional campaigns
- strategic partnerships
- mergers and acquisitions

2.6.4.Competitor's Objectives

Knowledge of a competitor's objectives facilitates a better prediction of the competitor's reaction to different competitive moves. For example, a competitor that is focused on reaching short-term financial goals might not be willing to spend much money responding to a competitive attack. Rather, such a competitor might favor focusing on the products that hold positions that better can be defended. On the other hand, a company that has no short term profitability objectives might be willing to participate in destructive price competition in which neither firm earns a profit.

Competitor objectives may be financial or other types. Some examples include growth rate, market share, and technology leadership. Goals may be associated with each hierarchical level of strategy - corporate, business unit, and functional level.

The competitor's organizational structure provides clues as to which functions of the company are deemed to be the more important. For example, those functions that report directly to the chief executive officer are likely to be given priority over those that report to a senior vice president.

Other aspects of the competitor that serve as indicators of its objectives include risk tolerance, management incentives, backgrounds of the executives, composition of the board of directors, legal or contractual restrictions, and any additional corporate-level goals that may influence the competing business unit.

Whether the competitor is meeting its objectives provides an indication of how likely it is to change its strategy.

2.6.5.Competitor's Assumptions

The assumptions that a competitor's managers hold about their firm and their industry help to define the moves that they will consider. For example, if in the past the industry introduced a new type of product that failed, the industry executives may assume that there is no market for the product. Such assumptions are not always accurate and if incorrect may present opportunities. For example, new entrants may have the opportunity to introduce a product similar to a previously unsuccessful one without retaliation because incumbant firms may not take their threat seriously. Honda was able to enter the U.S. motorcycle market with a small motorbike because U.S. manufacturers had assumed that there was no market for small bikes based on their past experience.

A competitor's assumptions may be based on a number of factors, including any of the following:

- beliefs about its competitive position
- past experience with a product
- regional factors
- industry trends
- rules of thumb

A thorough competitor analysis also would include assumptions that a competitor makes about its own competitors, and whether that assessment is accurate.

2.6.6.Competitor's Resources and Capabilities

Knowledge of the competitor's assumptions, objectives, and current strategy is useful in understanding how the competitor might want to respond to a competitive attack. However, its resources and capabilities determine its ability to respond effectively.

A competitor's capabilities can be analyzed according to its strengths and weaknesses in various functional areas, as is done in a SWOT analysis. The competitor's strengths define its capabilities. The analysis can be taken further to evaluate the competitor's ability to increase its capabilities in certain areas. A financial analysis can be performed to reveal its sustainable growth rate.

Finally, since the competitive environment is dynamic, the competitor's ability to react swiftly to change should be evaluated. Some firms have heavy momentum and may continue for many years in the same direction before adapting. Others are able to mobilize and adapt very quickly. Factors that slow a company down include low cash reserves, large investments in fixed assets, and an organizational structure that hinders quick action.

2.6.7.Competitor Response Profile

Information from an analysis of the competitor's objectives, assumptions, strategy, and capabilities can be compiled into a response profile of possible moves that might be made by the competitor. This profile includes both potential offensive and defensive moves. The specific moves and their expected strength can be estimated using information gleaned from the analysis.

The result of the competitor analysis should be an improved ability to predict the competitor's behavior and even to influence that behavior to the firm's advantage.

2.6.8.ANALYSIS OF CONSUMER & INDUSTRY MARKETS

What makes SWOT particularly powerful is that, with a little thought, it can help you uncover opportunities that you are well placed to exploit. And by understanding the weaknesses of your business, you can manage and eliminate threats that would otherwise catch you unawares.

More than this, by looking at yourself and your competitors using the SWOT framework, you can start to craft a strategy that helps you distinguish yourself from your competitors, so that you can compete successfully in your market.

2.6.8.1.How to Use the Tool

To carry out a SWOT Analysis, start by downloading our free template. Then answer the following questions:

2.6.8.2..Strengths:

- What advantages does your company have?
- What do you do better than anyone else?
- What unique or lowest-cost resources do you have access to?
- What do people in your market see as your strengths?
- What factors mean that you "get the sale"?

Consider this from an internal perspective, and from the point of view of your customers and people in your market. Be realistic: It's far too easy to fall prey to "not invented here syndrome". (If you are having any difficulty with this, try writing down a list of your characteristics. Some of these will hopefully be strengths!)

In looking at your strengths, think about them in relation to your competitors - for example, if all your competitors provide high quality products, then a high quality production process is not a strength in the market, it is a necessity.

2.6..8.3.Weaknesses:

- What could you improve?
- What should you avoid?
- What are people in your market likely to see as weaknesses?
- What factors lose you sales?

Again, consider this from an internal and external basis: Do other people seem to perceive weaknesses that you do not see? Are your competitors doing any better than you? It is best to be realistic now, and face any unpleasant truths as soon as possible.

2.6.8.4..Opportunities:

- Where are the good opportunities facing you?
- What are the interesting trends you are aware of? Useful opportunities can come from such things as:
- Changes in technology and markets on both a broad and narrow scale.
- Changes in government policy related to your field.
- Changes in social patterns, population profiles, lifestyle changes.
- Local events.

A useful approach for looking at opportunities is to look at your strengths and ask yourself whether these open up any opportunities.

Alternatively, look at your weaknesses and ask yourself whether you could create opportunities by eliminating them.

2.6.8.5Threats:

- What obstacles do you face?
- What is your competition doing that you should be worried about?
- Are the required specifications for your job, products or services changing?
- Is changing technology threatening your position?
- Do you have bad debt or cash-flow problems?
- Could any of your weaknesses seriously threaten your business?

Carrying out this analysis will often be illuminating – both in terms of pointing out what needs to be done, and in putting problems into perspective.

Strengths and **weaknesses** are often internal to your organization.**Opportunities** and **threats** often relate to external factors. For this reason the SWOT Analysis is sometimes called Internal-External Analysis and the SWOT Matrix is sometimes called an IE Matrix Analysis Tool.

You can also apply SWOT Analysis to your competitors. As you do this, you'll start to see how and where you should compete against them.

2.6.8.6..Marketing Strategies for Service Firms

Services firms require attention additional 3Ps according to Booms and Bitner. The additional 3Ps are people, physical evidence and process.

The marketing department or function has a say and a view on these additional Ps.

In a service business companies employees are in direct contact with the customer and hence their behavior with the customer has an influence on customer satisfaction. Ideally employees should exhibit competence, a caring attitude, responsiveness, initiative, problem solving ability, and goodwill. So they have to be trained to exhibit appropriate behavior. The employees must have authority to solve problems that arise in service encounters without much delay and contacting various levels of supervisors. This is empowerment of service employees.

The physical facilities are important because customers come there and have the service. Hence the design and maintenance of the facility becomes a marketing issue.

The processes used to deliver the services are marketing issues. If the customer does not like the process he will not come back. Hence market research has to find out the customer‘s likes and dislikes about the processes.

Hence the idea that service marketing requires internal marketing or involvement of marketing function in internal aspects of the company or the firm emerged. Internal marketing describes the work done by the company and marketing department to convey the needs of the potential customers to the service employees and the effort to train them and motivate them to provide exceptional service to customers.

Another concept in services marketing is interactive marketing. It refers to the skill of employees to interact with the client in serving the client. Clients judge services by technical quality as well as the interaction quality. Whether the surgeon has done the operation properly or not is the technical quality. Whether he has shown concern and inspired confidence or not is interaction quality. Service providers must provide high touch along with high tech.

2.6.8.7..Managing the Differentiation

What are sources for differentiating in service businesses?

Service offer: while the core service could be the primary service package, a firm can come out with secondary service features that provide differentiation. We always have to remember that an additional feature added to a product must be valued by the customer and has to be profitable to the company. Hence marketers are involved to find those features which are valued by the customers and operations or process specialists are involved to deliver the feature at a cost that is profitable to the company.

Delivery: Reliability in service can be differentiating feature. Many firms find it difficulty to provide reliability.

Image: Developing an image that inspires trust is a differentiating feature.

2.6..8.8..Managing Service Quality

Quality is a differentiator. Parasuraman, Zeithaml, and Berry formulated a service-quality model that highlights the main requirements for delivering high service quality.

They identified possible five gaps that result in poor service.

1. Gap between consumer expectation and management perception
2. Gap between management perception and service quality specification

3. Gap between service quality specification and service delivery
4. Gap between service deliver and external communication
5. Gap between perceived service and expected service

The same researchers identified five determinants of service quality. According to the order of preference of the variables is:

- Reliability
- Responsiveness
- Assurance
- Empathy
- Tangibles

2.7.Strategic Marketing Mix Components

In the sequence of strategic analysis and decisions, "marketing mix" analysis falls after various external and internal environmental analyses such as PESTEL analysis, Porter's Five Forces analysis, SWOT Analysis and even formulation of competitive strategies (Porter's Generic Strategies). Marketing mix is an imperative concept in modern marketing and academically it is referred to as the set of controllable tools that the firm blends to produce the response it wants in the target market, so it consists of everything the firm can do to influence the demand for its product (Kotler and Armstrong, 2004). It is important to realise that marketing mix strategy of any company can have one major function, that is, strategic communication of the organisation with its customers (Proctor, 2000). It was further argued that marketing mix provides multiple paths as such communication can be achieved either in spoken form and written communications (advertising, selling, etc.) or in more symbolic forms of communication (the image conveyed in the quality of the product, its price and the type of distribution outlet chosen). However, the key element is that the main aspects of marketing mix that will be discussed below "should not be seen as individual entities, but as a set of interrelated entities which have to be set in conjunction with one another"
(Proctor, 2000: 212).

2.7.1.Main Aspects of Marketing Mix (100)

The easiest way to understand the main aspects of marketing is through its more famous synonym of "4Ps of Marketing". The classification of four Ps of marketing was first introduced and suggested by McCarthy (1960), and includes marketing strategies of product, price, placement and promotion.

The following diagram is helpful in determining the main ingredients of the four Ps in a marketing mix.

Product

In simpler terms, product includes all features and combination of goods and related services that a company offers to its customers. So the Air bus product includes its body parts such as the engine, nut bolts, seats, etc along with its after-sales services and all are included in the product development strategy of the Airbus. However, a serious criticism can be raised here in terms of how marketing mix analysis will cater for companies such as ABN Amro Bank,Natwest Bank, British Airways and Fedex Corporation as they don't possess tangible products. It was argued that is it feasible to omit service-oriented companies with the logic that the term "services" does not start with a "P", however, it was asserted that these companies can use the terminology of "service products" under marketing mix strategy making (Kotler & Armstrong, 2004).

Lazer (1971) argued that product is the most important aspect of marketing mix for two main reasons. First, for manufacturers, products are the market expression of the company's productive capabilities and determine its ability to link with consumers. So product policy and strategy are of prime importance to an enterprise, and product decisions dictate the scope and direction of company activity. Moreover, the market indicators such as profits, sales, image, market share, reputation and stature are also dependent on them. Secondly, it is imperative to realise that the product of any organisation is both a component and a determinant of the marketing mix as it has a great influence on the other elements of the mix: advertising, personal selling, channels of distribution, physical distribution and pricing. So without proper product policy, a company can not pursue for further elements of marketing mix.

Pricing

Pricing is basically setting a specific price for a product or service offered. In a simplistic way, Kotler and Armstrong (2004) refer to the concept of price as the amount of money that customers have to pay to obtain the product. Setting a price is not something simple. Normally it has been taken as a general law that a low price will attract more customers. It is not a valid argument as customers do not respond to price alone; they respond to value so a lower price does not necessarily mean expanded sales if the product is not fulfilling the expectation of the customers (Lazer, 1971).

Generally pricing strategy under marketing mix analysis is divided into two parts: price determination and price administration (ibid).

Price determination is referred to as the processes and activities employed to arrive at a price for a product including consideration of relative prices of products within the same line, and differences in price for similar products of differing grades and qualities.

Price administration is referred to as the activities involved in fitting basic prices to particular sales situations such as geographic locale, functions performed by customers, position of distribution channel members, or special sales situations. An example of this is special discounted prices at, for instance, GAP,NEXTetc or Coca Cola and Pepsi where different prices are set in different geographical areas considering the difference in patterns of usage as well as varying advertisement costs.

2.7.1.2.Placement

Placement under marketing mix involves all company activities that make the product available to the targeted customer (Kotler and Armstrong, 2004). Based on various factors such as sales, communications and contractual considerations, various ways of making products available to customers can be used (Lazer, 1971). Companies such as Ford, Ferrari, Toyota, and Nissan use specific dealers to make their products available, whereas companies such asNestle involve a whole chain of wholesaler retailers to reach its customers. On a general note, while planning placement strategy under marketing mix analysis, companies consider six different channel decisions including choosing between direct access to customers or involving middlemen, choosing single or multiple channels of distributions, the length of the distribution channel, the types of intermediaries, the numbers of distributors, and which intermediary to use based on the quality and reputation (Proctor,
2000)

2.7.2.Promotion

Promotional strategies include all means through which a company communicates the benefits and values of its products and persuades targeted customers to buy them (Kotler and Armstrong, 2004). The best way to understand promotion is through the concept of the marketing communication process. Promotion is the company strategy to cater for the marketing communication process that requires interaction between two or more people or groups, encompassing senders, messages, media and receivers (Lazer, 1971). Taking the example of Nokia, the sender of the communication in this case is Nokia, the advertising agency, or both; the media used in the process can be salesmen, newspapers, magazines, radio, billboards, television and the like. The actual message is the advertisement or sales presentation and the destination is the potential consumer or customer, in this case mobile phone users.

2.7.3.Limitation of Marketing Mix Analysis (4Ps of Marketing)

Despite the fact that marketing mix analysis is used as a synonym for the 4Ps of Marketing, it is criticised (Kotler & Armstrong, 2004) on the point that it caters seller's view of market analysis not customers view. To tackle this criticism, Lauter born (1990) attempted to match 4 Ps of marketing with 4 Cs of marketing to address consumer views:

Product – Customer Solution Price – Customer Cost Placement – Convenience Promotion –

UNIT III
MARKETING DECISIONS

3.1.What is a Product?

- ν A good, service, or idea consisting of a bundle of tangible and intangible attributes that satisfies consumers which they receive in exchange for money or some other unit of value.

- NPD is a process which designed to develop, test and consider the viability of products which are new to the market in order to ensure the Growth or survival of the organisation.
- The stages a firm goes through to identify business opportunities and convert them to a salable good or service.

3.1.2.What is a new product?

- ♦ A product that opens an entirely new market
- ♦ A product that adapts or replaces an existing product
- ♦ A product that significantly broadens the market for an existing product
- ♦ An old product introduced in a new market
- ♦ An old product packaged in a different way
- ♦ An old product marketed in a different way

3.1.3.Why develop NPD

- ♦ To add to product portfolio
- ♦ To create stars and cash cows for the future
- ♦ To replace declining product
- ♦ To take advantage of new technology
- ♦ To defeat rivals
- ♦ To maintain/increase market share
- ♦ To keep up with rivals
- ♦ To maintain competitive advantage
- ♦ To full gap in the market

3.1.4.New product can be used

- ♦ Increase/defend market share by offering more choice or updating older products
- ♦ Appeal to new segments
- ♦ Diversify into new markets
- ♦ Improve relationship with distributors
- ♦ Maintain the firm's reputation a leading edge company
- ♦ Even out peaks and troughs in demand
- ♦ Make better use of the organization's resources

3.1.5.New Product Development Strategy

- _ Original products
- _ Acquisition
- _ Product improvements
- _ Product modifications
- _ New brands through the firm's own R&D efforts

3.1.6.Types of new product

- New product the world products – innovative products
- New product lines – to allow the firm to enter an existing market
- Addition to product line – to supplement the firm's existing product line
- Improvements and revisions of existing product
- Repositioned products – existing products targets at new market
- Cost reduction new product that provide similar performance at lower cost

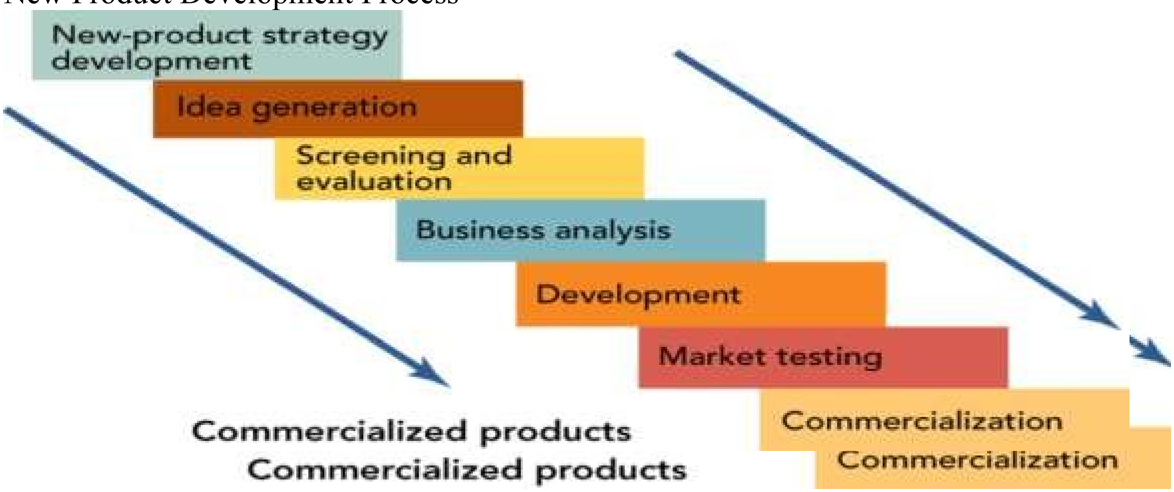
3.1.7.Examples of new products

- New to the world – high definition TV, ipod, flat screen TV
- New products lines – Mars ice creams
- Addition to the products line – weetabix launched fruitibix
- Product improvement & replacement new car model

3.2.New Product Planning

- This is the strategic stage
- The firm assesses
  - It current product portfolio
  - Opportunities and threats
- The firm then determines the type of product which would best fit in with the corporate strategy

New Product Development Process



- Idea Generation
- Idea Screening
- Concept development and testing
- Market strategy development
- Business development
- Test marketing
- Commercialization

3.2.1..Idea Generation

- ν Purpose – to identify as many new product ideas as possible

- ν Sources

1. Customers
2. Company Research and Development
3. Sales representatives / employees
4. Competitors

- Idea generation is continuous, systematic search for new product opportunities. It involves delineating sources of new ideas and methods for generating them.

Opportunity Identification

Internal sources
_Company employees at all levels
External sources
_ Customers
_ Competitors
_ Distributors
_ Suppliers
_ Outsourcing
Product Screening

- In product screening poor, unsuitable or otherwise unattractive ideas are weeded out form further actions

Concept testing

- Concept testing present the consumer with a proposed product and measure attitudes and intention at this early stage of development

Business & financial Analysis

- ♦ Business and financial analysis for the remainning product concepts is much more detailed than product screening
- ♦ Assesses the potential profitability of the product concept
- ♦ Estimate sales
- ♦ Estimate costs

3.2.2.Product Development

- ♦ The product concept described on paper is turned into a physical product called a prototype.
- ♦ Prototype is tested with sample groups from the target market.
- ♦ Product development converts a product idea into a physical form and identifies a basic marketing strategy

Test Marketing

- ♦ Test marketing involves placing a product for sale in one or more selected areas and observing its actual performance under the proposed marketing plan
- ♦ Product is tested under realistic purchase conditions.
- ♦ Purpose – see how targeted consumers respond to product and other marketing mix elements
- ♦ Product is introduced in one or more test cities

Commercialization

- Commercialization involves implementing a total marketing plan and full production
- Product is placed on the market.
- Involves setting up:
- manufacturing facilities
- Channels of distribution
- Promotion for the product
- Will often use a regional roll out

3.3.The Product Life Cycle

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

Product Life Cycle Curve

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

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

3.3.1.Introduction Stage

When the product is introduced, sales will be low until customers become aware of the product and its benefits. Some firms may announce their product before it is introduced, but such announcements also alert competitors and remove the element of surprise. Advertising costs typically are high during this stage in order to rapidly increase customer awareness of the product and to target the early adopters. During the introductory stage the firm is likely to incur additional costs associated with the initial distribution of the product. These higher costs coupled with a low sales volume usually make the introduction stage a period of negative profits.

During the introduction stage, the primary goal is to establish a market and build primary demand for the product class. The following are some of the marketing mix implications of the introduction stage:

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

3.3.2.Growth Stage

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

During the growth stage, the goal is to gain consumer preference and increase sales. The marketing mix may be modified as follows:

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

3.3.3.Maturity Stage

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

During the maturity stage, the primary goal is to maintain market share and extend the product life cycle. Marketing mix decisions may include:

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

3.3.4.Decline Stage

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

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

- Maintain the product in hopes that competitors will exit. Reduce costs and find new uses for the product.
- Harvest it, reducing marketing support and coasting along until no more profit can be made.
- Discontinue the product when no more profit can be made or there is a successor product. The marketing mix may be modified as follows:
- Product - The number of products in the product line may be reduced. Rejuvenate surviving products to make them look new again.
- Price - Prices may be lowered to liquidate inventory of discontinued products. Prices may be maintained for continued products serving a niche market.
- Distribution - Distribution becomes more selective. Channels that no longer are profitable are

phased out.

- Promotion - Expenditures are lower and aimed at reinforcing the brand image for continued products.

3.3.5.Limitations of the Product Life Cycle Concept

The term "life cycle" implies a well-defined life cycle as observed in living organisms, but products do not have such a predictable life and the specific life cycle curves followed by different products vary substantially. Consequently, the life cycle concept is not well-suited for the forecasting of product sales. Furthermore, critics have argued that the product life cycle may become self- fulfilling. For example, if sales peak and then decline, managers may conclude that the product is in the decline phase and therefore cut the advertising budget, thus precipitating a further decline.

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

3.4.Market Segmentation

Definition

- ♦ Dividing a market into distinct groups with distinct needs, characteristics, or
- ♦ Dividing a big heterogeneous market into small homogenous unit.
- ♦ Process of dividing the total market for a good or service into several smaller, internally homogeneous groups

Market segmentation is the identification of portions of the market that are different from one another. Segmentation allows the firm to better satisfy the needs of its potential customers.

Market segments for Bicycles

1 (Exercisers)	**2 (School-goers)**
3 (Transportation riders)	**4 (Adventures)**

Process of Market Segmentation

- **Identify wants within a market**
- **Identify characteristics that distinguish the segments**
- **Determine size and satisfaction**

3.4.1.Fetaures market segmentation

- ♦ It must be identifiable.
- ♦ It must be accessible.
- ♦ It must be optimum in size.
- ♦ It must be profitable.
- ♦ It must be durable.
- ♦ It must be compatible.

3.4.2.Requirements of Market Segments

In addition to having different needs, for segments to be practical they should be evaluated against the following criteria:

- Identifiable: the differentiating attributes of the segments must be measurable so that they can be identified.
- Accessible: the segments must be reachable through communication and distribution channels.
- Substantial: the segments should be sufficiently large to justify the resources required to target them.
- Unique needs: to justify separate offerings, the segments must respond differently to the different marketing mixes.
- Durable: the segments should be relatively stable to minimize the cost of frequent changes.

A good market segmentation will result in segment members that are internally homogenous and externally heterogeneous; that is, as similar as possible within the segment, and as different as possible between segments.

3.4.3.Bases for Segmentation in Consumer Markets

Consumer markets can be segmented on the following customer characteristics.

- Geographic
- Demographic
- Psychographic
- Behavioralistic

3.4.4.Geographic Segmentation

The following are some examples of geographic variables often used in segmentation.

- Region: by continent, country, state, or even neighborhood
- Size of metropolitan area: segmented according to size of population
- Population density: often classified as urban, suburban, or rural
- Climate: according to weather patterns common to certain geographic regions

3.4.5.Demographic Segmentation

Some demographic segmentation variables include:

- Age
- Gender
- Family size
- Family lifecycle
- Generation: baby-boomers, Generation X, etc.
- Income
- Occupation
- Education
- Ethnicity
- Nationality
- Religion
- Social class

Many of these variables have standard categories for their values. For example, family lifecycle often is expressed as bachelor, married with no children (DINKS: Double Income, No Kids), full- nest, empty-nest, or solitary survivor. Some of these categories have several stages, for example, full-nest I, II, or III depending on the age of the children.

3.4.6.Psychographic Segmentation

Psychographic segmentation groups customers according to their lifestyle. Activities, interests, and opinions (AIO) surveys are one tool for measuring lifestyle. Some psychographic variables include:

- Activities
- Interests
- Opinions
- Attitudes
- Values

3.4.7.Behavioralistic Segmentation

Behavioral segmentation is based on actual customer behavior toward products. Some behavioralistic variables include:

- Benefits sought
- Usage rate
- Brand loyalty
- User status: potential, first-time, regular, etc.
- Readiness to buy
- Occasions: holidays and events that stimulate purchases

Behavioral segmentation has the advantage of using variables that are closely related to the product itself. It is a fairly direct starting point for market segmentation.

3.4.8.Bases for Segmentation in Industrial Markets

In contrast to consumers, industrial customers tend to be fewer in number and purchase larger quantities. They evaluate offerings in more detail, and the decision process usually involves more than one person. These characteristics apply to organizations such as manufacturers and service providers, as well as resellers, governments, and institutions.

Many of the consumer market segmentation variables can be applied to industrial markets. Industrial markets might be segmented on characteristics such as:

- Location
- Company type
- Behavioral characteristics

Location

In industrial markets, customer location may be important in some cases. Shipping costs may be a purchase factor for vendor selection for products having a high bulk to value ratio, so distance from the vendor may be critical. In some industries firms tend to cluster together geographically and therefore may have similar needs within a region.

Company Type

Business customers can be classified according to type as follows:

- Company size
- Industry
- Decision making unit
- Purchase Criteria

3.4.9.Behavioral Characteristics

In industrial markets, patterns of purchase behavior can be a basis for segmentation. Such behavioral characteristics may include:

- Usage rate
- Buying status: potential, first-time, regular, etc.
- Purchase procedure: sealed bids, negotiations, etc.

3.5.Target Marketing

According to Wikipedia, ―Market Specialization is a business term meaning the market segment to which a particular good or service is marketed. It is mainly defined by age, gender, geography, socio-economic grouping, or any other combination of demographics.

It is generally studied and mapped by the organization through list and reports containing demographic information that may have an effect on the marketing of key products / services.

A product focusing on a specific target market contrasts sharply with one, following the market strategy of mass marketing‖.

3.5.1.There are three targeting strategies an organization can adopt:-

1. Undifferentiated Marketing: - It is a standardization strategy option, where the firm offers the same product, uses the same advertising, promotional, distribution, publicity, public relations and pricing strategies to different market segment. E.g.: - Pepsi and Coca-Cola.

2. Differentiated Marketing Strategy: - It contradicts the Undifferentiated Marketing Strategy where the firm develops different products / services to suit the need of varying groups which increases their marketing and operational expenditures. E.g.: - Airline Industry.

3. Concentrated Marketing: - This is a ―focused‖ approach of the firm to target only one particular segment and create a niche market of that particular segment. In other words instead of targeting a small share of a large group, the company aims at a large share of a small group.

3.5.2.Targeting can be done by the firms by adopting a logical and systematic methodology / steps.

Which are as follows: -

STEP 1: - Identify the potential buyers: - Through proper market research and market segmentation (it is the process of pulling apart the entire market as a whole and separating it into manageable disparate units based on various demographic, political, economic and social factors; it can also be customer / product / competition related segmentation).

After the process of Segmentation the next step is for the organization to decide how it is going to target these particular group(s).

STEP 2: - Select the target audiences: - The factors that influence Targeting are the Internal and External Environment. Internal environment includes the mission, vision, values and objectives of the firm; whereas; External factors are the social, cultural, economic, global, demographic, natural, task, technological, political and legal environment.

Through appropriately compiling the customers profile to decide the 4 P‘s – Product, Price, Place and Promotion and obtain the demographic, psychological, geographic and behavioral information of the buyer. Targeting is deciding the potential buyers, products to be offered and appropriately positioning each product to the segment.

STEP 3: - Proper positioning of the Product: - After developing an appropriate segmentation and target strategy; positioning strategy can be worked out effectively. Positioning enables the firm to create a positive image, gain competitive advantage and place the brand in the customers mind to enhance their goodwill and become the most preferred brand.

Positioning can be in the form of product, price, promotion, service, distribution channel, image, people, advertising, publicity, public relation or selling differentiation.

3.6.Positioning

- What is positioning?

♦ –A product‘s position is the place the position occupies in consumers‘ minds relative to competing products.‖ Philip Kotler

- ♦ The process where marketers try to create a product image or identity in the minds of their target market relative to competitive products.
- Definition

It is all about placing a product / brand in the minds of the customer to occupy a stable, distinct and permanent place in their rational and conscious mind set.

3.6.1.Different Positioning Planks / Bases

- ♦ Economy.
- ♦ Benefit.
- ♦ Gender .
- ♦ Luxury and exclusiveness.
- ♦ Fashion for elite class.
- ♦ Technology and value added features.

3.6.2.Criteria Of Successful Positioning

- ♦ Clarity.
- ♦ Consistency.
- ♦ Credibility.
- ♦ Competitiveness.

3.6.3.Three Steps

- ♦ Select position concept
- ♦ Design the feature that conveys position
- ♦ Coordinate the marketing mix to convey position

3.7.Channel Management

A set of interdependent organizations involved in the process of making a product or services available for the use or consumption

3.7.1.Objective

To help you understand

- ♦ the key factors that influence the channel choice,
- ♦ how a channel structure is developed
- ♦ Relationship between the principle and the intermediary
- ♦ Types of channels
- ♦ Implications on the length of the channel

What is Channel?

Channel is a mechanism which brings the product to the consumer at his doorstep.

Why Channels

- When it becomes impossible for the manufacturer to directly deal with the consumers.
- Minimize transportation costs; maintain service levels, reduction of stock holding etc.
- Required to distribute your products.
- Lacks the financial resources to do direct marketing
- Cannot have the infrastructure to make the product widely available and near the customer
- Trading profits could be less than manufacturing profits

3.7.2.Channel functions

- Gathers information on customers, competitors and other external market data
- Develop and disseminate persuasive communication to stimulate purchases
- Agreement on price and other terms so that transfer of ownership can be effected
- Placing orders with manufacturers
- Acquire funds to finance inventories and credit in the market
- Assume responsibility of all risks of the trade
- Successive storage and movement of products
- Helps buyers in getting their payments through with the banks
- Oversee actual transfer of ownership

Other functions

3.7.3.Functions of a Distribution Channel

The main function of a distribution channel is to provide a link between production and consumption. Organisations that form any particular distribution channel perform many key functions:

Information	Gathering and distributing market research and intelligence - important for marketing planning
Promotion	Developing and spreading communications about offers
Contact	Finding and communicating with prospective buyers
Matching	Adjusting the offer to fit a buyer's needs, including grading, assembling and packaging

Negotiation Reaching agreement on price and other terms of the offer

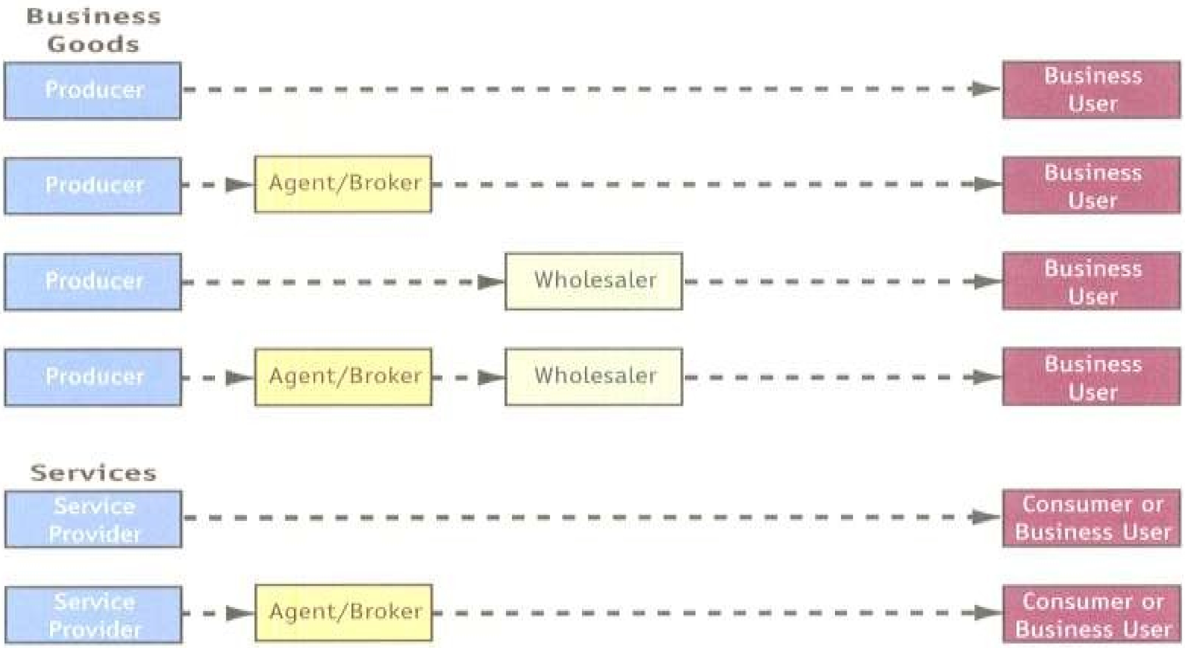
Physical distribution Transporting and storing goods

Financing Acquiring and using funds to cover the costs of the distribution channel

Risk taking Assuming some commercial risks by operating the channel (e.g. holding stock)

All of the above functions need to be undertaken in any market. The question is - who performs them and how many levels there need to be in the distribution channel in order to make it cost effective.

- Types of Marketing Channels
  - Business Goods
  - Services



3.8.Advertisement and Sales Promotion

Introduction to IMC (Integrated Marketing Communication)

3.8.1.What is Marketing?

Think of marketing for some seconds. Two things would come to your mind:

1. Sales
2. Advertisement

Marketing is the process of maximizing the profitability and sales of the organization by identifying the needs and wants of the customers and convincing them how they can fulfill their needs though our product.

3.8.2.Past Marketing:

In past advertisement used to be done on the mass media like televisions, newspapers,etc. Mass media was very popular and useful as the marketing medium till late 80s butafter that it lost its grip.

3.8.3.21st Century Marketing:

The advertisement done today is far more different then the old era. Now, the emergence of new technology, the growth in the internet usage, rapidly changing environment, changing way of communications, fragmentation of mass markets, growing economies, and globalization has changed the overall marketing to use different other communication mediums and techniques with the old ones (newspapers, TV, Radio, etc.).

These new techniques are as follow:

1.Advertisement on Internet
2. Relationship Marketing
3. Event Sponsorships
4. Direct Marketing
5. Sales Promotion
6.Publicity (Press Releases, Public Relation, Reviews)

3.8.4.What is Marketing Mix (4 Ps)?

Marketing is basically exchange process and development of good relationship with customer. Marketing mix is to providing value to the customer. Providing right product, at right price, at right time at right place and to right customer is the marketing mix. Basically these are the elements of marketing mix:

1. Product
2. Price
3. Place
4. Promotion

3.8.5.What is IMC (Integrated Marketing Communication)?

IMC is a plan through which we check and analyze different communication disciplines(like direct marketing, sales promotion etc) according to our product target market andstrategy so that we could get maximum communication impact. In IMC we don‘t rely only on one media. We choose
different variety of promotional tools. The American Association for Advertising Agencies (4A) definition for IMC is as follow:

–A marketing communication plan that evaluates the strategic role of different communication disciplines and combines these disciplines to provide clarity, consistency, and maximum communication impact||

The above definition tells us two things:

a)Identify the best fit of advertisement disciplines
b)Build positive and consistent relationship to the customers and take holders
c)Build and sustain brand identity and equity IMC requires that firm should develop the overall marketing strategy that requires how all of a firm‘s marketing activities, not just

promotion, communicates with its customers. (Don Schultz)

3.8.6.Brand Identity:

Brand Identity is the brand impression that comes in the customer's mind while thinking about that very brand. Its basically logo, symbols, organization culture, design, and performance of the product.

3.8.7.Brand Equity:

Brand Equity is the status of the brand with respect to other brands available in the market. So, generally, IMC is basically identifying the best communication method and building relationships with the stakeholders and customers. There are a lot of choices available for the customers but limited time to think. Therefore IMC builds the impression of the brand in the mind of the customer. Because of this positive brand impression, customers take no time and choose the product with brand image in his mind.

IMC is being vastly adopted by almost all of the marketers because it makes the marketers to answer the changing environments, trends, globalization, customer priorities and a lot more. A recent survey showed that these advancements are effecting the mass media a lot so that Newspapers, TV, Radios are getting to smaller and smaller audiences. On top of all it is also proved that new people are very less responsive to the TV, newspapers, radio ads. Now here comes the IMC. You know the way how PUMA advertise? Yes, PUMA is advertised by the big players as its printed on their shirts. People love to buy their favorite match winning player brand.

3.8.9.What is Successful IMC?

In IMC the main thing is to choose the effective promotion discipline efficiently and coordinate their use. For this better understanding of the IMC tools is required. What is Promotional Mix?

Promotion is dissemination of information about the product, product line, brand or company

Promotion mix is the process of making channels of information and persuasion to sell a product, service or an idea. We can also say that Promotion Mix is basically the tool that helps organization in getting its communication objectives. Following are the items of Promotion Mix:

1. Advertising
2.Direct Marketing (Not traditional part but important part of IMC)
3.Internet Marketing
4. Sales Promotion
5. Publicity
6. Personal Selling

Advertising is basically paid form of non personal communication about the product, organization, service or idea. Always remember that the nature of advertisement differs from one industry to another. Non personal communication means that getting the immediate feedback from the audience is not possible.

But second thing that favors advertisement is its –Cost Effectiveness||. Its cost is very low if we calculate the number of people watching the advertisement and getting the information.

Advertisement is very useful in creating the positive brand images in the mind of customers when differentiation between the products is very low.

If you see that there is very little you can do in terms of Marketing Mix (Price, Product, Distribution, and Promotion) for a product then you use the special advertisement strategy to differentiate your product from other products and compel the customer to buy your product.

3.8.9.Direct Marketing:

In direct marketing the marketers communicate directly with the customers to sell their products. Traditionally its not included in Promotion Mix but now its becoming an important part of IMC (Integrated Marketing Communication).

In direct marketing the main thing is not only have direct mailing to the customer but also database management, contact management, telemarketing, direct response, direct mail, direct email, shopping through company catalog list, and websites are also included.

The most important thing in Direct Marketing is Direct Personal Response where manufacturers compel the customers to buy the products directly from them. Customer watches the ad on TV, or Newspaper and contacts the manufacturer for the product. Direct Mail used to be the primarily medium for the Direct Personal Response but now email, Internet, TVs has taken its place.

Direct Marketing is very helpful for the people those have money and they don‘t have the time to go to the store and buy the thing. Direct Marketing provides them a way to directly contact the manufacturer and buy the thing at convenience.

Internet/Interactive Marketing:

Internet market differs from all the markets because it provides everything on the click of the mouse. It provides the customer with the double sided flow of information.

Internet Marketing gives the customer a lot of options:

Customer who wants to buy a product can check a lot of other online stores for the same product in no time.

Customer can check the reviews from the other users of the product. Customer can directly talk to the sales representative of the company.

With huge number of stores online, customer gets best offers from the manufacturers

Customer can get online promotions

Internet Marketing has combined all the elements of promotional mix. From purchasing of products to getting discounts, everything is on the customer‘s finger tips. It conducts direct marketing, advertisement, publicity, public relation, and personal selling at one place.

Sales Promotion:

Whenever we talk about sales promotion different things come to our minds, like Product

Samples, Coupons, Rebates, Discounts, Free Stuff and lot more. Basically all of these benefits are given to the consumer side. It doesn‘t mean that there is no part of retailers and wholesalers in sales promotion. Retailers and distributors also take their cut in the form of Price Deals, Sales Contests, Discounts, and different allowances. So, we can say that sales promotion is of two types. First one is the Customer Oriented Sales Promotion that deals with the customer and second is the Trade oriented Sales promotion that deals with the Retailers, Distributors, and Wholesalers.

Publicity:
Publicity is the important part of promotional mix. In publicity no payment is made to the publisher. Basically publicity is done in the form of: Product Reviews
Discussions about the product in different forums
In local Events
News and Editorials
Publicity is actually the type of non personal communication regarding the product or the service. Publicities do an important role to make the decisions of the people about any product because the one who is publicizing a product is not directly involved with the company. In publicity the product is directly criticized and/or appreciated.

3.8.10.Personal Selling:
In personal selling there is a direct contact between the buyer of the product and the seller of the product. Feedback is received very quickly and the seller can change the message according to the needs of the consumer. This is basically used in Business to Business models.

3.9.Pricing Strategy

One of the four major elements of the marketing mix is price. Pricing is an important strategic issue because it is related to product positioning. Furthermore, pricing affects other marketing mix elements such as product features, channel decisions, and promotion.

While there is no single recipe to determine pricing, the following is a general sequence of steps that might be followed for developing the pricing of a new product:

1. **Develop marketing strategy** - perform marketing analysis, segmentation, targeting, and positioning.
2. **Make marketing mix decisions** - define the product, distribution, and promotional tactics.
3. **Estimate the demand curve** - understand how quantity demanded varies with price.
4. **Calculate cost** - include fixed and variable costs associated with the product.
5. **Understand environmental factors** - evaluate likely competitor actions, understand legal constraints, etc.
6. **Set pricing objectives** - for example, profit maximization, revenue maximization, or price stabilization (status quo).
7. **Determine pricing** - using information collected in the above steps, select a pricing method, develop the pricing structure, and define discounts.

These steps are interrelated and are not necessarily performed in the above order. Nonetheless, the above list serves to present a starting framework.

3.9.1..Marketing Strategy and the Marketing Mix

Before the product is developed, the marketing strategy is formulated, including target market selection and product positioning. There usually is a tradeoff between product quality and price, so price is an important variable in positioning.

Because of inherent tradeoffs between marketing mix elements, pricing will depend on other product, distribution, and promotion decisions.

3.9.2..Estimate the Demand Curve

Because there is a relationship between price and quantity demanded, it is important to understand the impact of pricing on sales by estimating the demand curve for the product.

For existing products, experiments can be performed at prices above and below the current price in order to determine the price elasticity of demand. Inelastic demand indicates that price increases might be feasible.

3.9.2..Calculate Costs

If the firm has decided to launch the product, there likely is at least a basic understanding of the costs involved, otherwise, there might be no profit to be made. The unit cost of the product sets the lower limit of what the firm might charge, and determines the profit margin at higher prices.

The total unit cost of a producing a product is composed of the variable cost of producing each additional unit and fixed costs that are incurred regardless of the quantity produced. The pricing policy should consider both types of costs.

3.9.3..Environmental Factors

Pricing must take into account the competitive and legal environment in which the company operates. From a competitive standpoint, the firm must consider the implications of its pricing on the pricing decisions of competitors. For example, setting the price too low may risk a price war that may not be in the best interest of either side. Setting the price too high may attract a large number of competitors who want to share in the profits.

From a legal standpoint, a firm is not free to price its products at any level it chooses. For example, there may be price controls that prohibit pricing a product too high. Pricing it too low may be considered predatory pricing or "dumping" in the case of international trade. Offering a different price for different consumers may violate laws against price discrimination. Finally, collusion with competitors to fix prices at an agreed level is illegal in many countries.

3.9.4..Pricing Objectives

The firm's pricing objectives must be identified in order to determine the optimal pricing. Common objectives include the following:

- **Current profit maximization** - seeks to maximize current profit, taking into account revenue and costs. Current profit maximization may not be the best objective if it results in lower long-term profits.
- **Current revenue maximization** - seeks to maximize current revenue with no regard to profit margins. The underlying objective often is to maximize long-

term profits by increasing market share and lowering costs.

- **Maximize quantity** - seeks to maximize the number of units sold or the number of customers served in order to decrease long-term costs as predicted by the experience curve.
- **Maximize profit margin** - attempts to maximize the unit profit margin, recognizing that quantities will be low.
- **Quality leadership** - use price to signal high quality in an attempt to position the product as the quality leader.
- **Partial cost recovery** - an organization that has other revenue sources may seek only partial cost recovery.
- **Survival** - in situations such as market decline and overcapacity, the goal may be to select a price that will cover costs and permit the firm to remain in the market. In this case, survival may take a priority over profits, so this objective is considered temporary.
- **Status quo** - the firm may seek price stabilization in order to avoid price wars and maintain a moderate but stable level of profit.

For new products, the pricing objective often is either to maximize profit margin or to maximize quantity (market share). To meet these objectives, skim pricing and penetration pricing strategies often are employed. Joel Dean discussed these pricing policies in his classic HBR article entitled, Pricing Policies for New Products.

3.9.4..Skim pricing attempts to "skim the cream" off the top of the market by setting a high price and selling to those customers who are less price sensitive. Skimming is a strategy used to pursue the objective of profit margin maximization.

Skimming is most appropriate when:

- Demand is expected to be relatively inelastic; that is, the customers are not highly price sensitive.
- Large cost savings are not expected at high volumes, or it is difficult to predict the cost savings that would be achieved at high volume.
- The company does not have the resources to finance the large capital expenditures necessary for high volume production with initially low profit margins.

3.9.5..Penetration pricing pursues the objective of quantity maximization by means of a low price. It is most appropriate when:

- Demand is expected to be highly elastic; that is, customers are price sensitive and the quantity demanded will increase significantly as price declines.
- Large decreases in cost are expected as cumulative volume increases.
- The product is of the nature of something that can gain mass appeal fairly quickly.
- There is a threat of impending competition.

As the product lifecycle progresses, there likely will be changes in the demand curve and costs. As such, the pricing policy should be reevaluated over time.

The pricing objective depends on many factors including production cost, existence of economies of scale, barriers to entry, product differentiation, rate of product diffusion, the firm's resources, and the product's anticipated price elasticity of demand.

3.9.6..Pricing Methods

To set the specific price level that achieves their pricing objectives, managers may make use of several pricing methods. These methods include:

- **Cost-plus pricing** - set the price at the production cost plus a certain profit margin.
- **Target return pricing** - set the price to achieve a target return-on-investment.
- **Value-based pricing** - base the price on the effective value to the customer relative to alternative products.
- **Psychological pricing** - base the price on factors such as signals of product quality, popular price points, and what the consumer perceives to be fair.

In addition to setting the price level, managers have the opportunity to design innovative pricing models that better meet the needs of both the firm and its customers. For example, software traditionally was purchased as a product in which customers made a one-time payment and then owned a perpetual license to the software. Many software suppliers have changed their pricing to a subscription model in which the customer subscribes for a set period of time, such as one year. Afterwards, the subscription must be renewed or the software no longer will function. This model offers stability to both the supplier and the customer since it reduces the large swings in software investment cycles.

3.9.10.Price Discounts

The normally quoted price to end users is known as the list price. This price usually is discounted for distribution channel members and some end users. There are several types of discounts, as outlined below.

- **Quantity discount** - offered to customers who purchase in large quantities.
- **Cumulative quantity discount** - a discount that increases as the cumulative quantity increases. Cumulative discounts may be offered to resellers who purchase large quantities over time but who do not wish to place large individual orders.
- **Seasonal discount** - based on the time that the purchase is made and designed to reduce seasonal variation in sales. For example, the travel industry offers much lower off-season rates. Such discounts do not have to be based on time of the year; they also can be based on day of the week or time of the day, such as pricing offered by long distance and wireless service providers.
- **Cash discount** - extended to customers who pay their bill before a specified date.
- **Trade discount** - a functional discount offered to channel members for performing their roles. For example, a trade discount may be offered to a small retailer who may not purchase in quantity but nonetheless performs the important retail function.
- **Promotional discount** - a short-term discounted price offered to stimulate sales.

UNIT IV
BUYER BEHAVIOR
4.1.Understanding Industrial & Individual Buyer Behaviour

Buyer behaviour is the study of when, why, how, and where people do or do not buy [[Product (business)|product).It blends elements from psychology, sociology, social anthropology and economics. It attempts to understand the buyer decision making process, both individually and in groups. It studies characteristics of individual consumers such as demographics and behavioural variables in an attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general.

Customer behaviour study is based on consumer buying behaviour, with the customer playing the three distinct roles of user, payer and buyer. Relationship marketing is an influential asset for customer behaviour analysis as it has a keen interest in the re-discovery of the true meaning of marketing through the re-affirmation of the importance of the customer or buyer. A greater importance is also placed on consumer retention, customer relationshipmanagement, personalisation, customisation and one-to-one marketing. Social functions can be categorized into social choice and welfare functions.

Each method for vote counting is assumed as a social function but if Arrow‘s possibility theorem is used for a social function, social welfare function is achieved. Some specifications of the social functions are decisiveness, neutrality, anonymity, monotonocity, unanimity, homogeneity and weak and strong Pareto optimality. No social choice function meets these requirements in an ordinal scale simultaneously. The most important characteristic of a social function is identification of the interactive effect of alternatives and creating a logical relation with the ranks. Marketing provides services in order to satisfy customers. With that in mind, the productive system is considered from its beginning at the production level, to the end of the cycle, the consumer (Kioumarsi et al., 2009).

Belch and Belch define consumer behaviour as 'the process and activities people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and services so as to satisfy their needs and desires'.'

4.1.1.Industrial buyer behavior theory

It is considered as highly important to be aware of why a customer or buyer makes a purchase. Without such an understanding, businesses find it hard to respond to the customer‟s needs and wants (Parkinsson & Baker, 1986). It is important to be aware of the differences between consumer buying and industrial buying because the industrial buyer behavior differs from consumer buying in many aspects such as; using more variables and greater difficulty to identify process participants (Moriarty, 1984). The industrial buying is described by Parkinsson & Baker (1986) as the buy of a product which is made to please the entire organization instead of satisfying just one individual. Industrial buying behavior is considered as being a elementary concept when it comes to investigating buyer behavior in all types of organizations (ibid). Also, in industrial buying situations there is a perception of greater use of marketing information, greater exploratory objective in information collection and greater formalization. (Deshpande & Zaltman, 1987)

The article by Johnston & Lewin (1996) illustrates that the broad amount of research conducted consolidated the existence and relevance of three important dimensions when investigating industrial buyer behavior.

1. How the **buyer decision process** looks like when organizations stands in front of different buying situations.

2. The **buying decision center** and factors influencing the buying process within the organization

3. The different **criterion's** used by industrial buyers when buying a product/service.

Fig 2. Industrial buyer process [Authors creation]

These three dimensions are considered as highly relevant for this research and will therefore be used throughout the study [fig 2]. In order to increase knowledge about the industrial buyer behavior, these three dimensions will be further described in more detail in the coming chapters of the theoretical framework.

4.1.2. Situations affecting the Industrial buyer behavior

We consider it to be crucial to describe the essential circumstances that influence the buyer behavior and thereafter we will continue with describing other relevant factors. Robinson et al. (1967) argues that there are some circumstances during a purchase being more important than the actual product/service being bought. Based on these assumptions the authors studies different buying situations and present these situations in three main categories, so called

"buy-classes"; (1) new task; (2) straight re-buy; (3) modified re-buy (ibid). In a **new task** buying situation the product/service is completely new to the organization. The buyer has insufficient or no experience and knowledge about the product/service in order to compare alternative suppliers with each other. The buyer and the influencers need to gather relevant information before the decision to purchase is made. A **straight re-buy** is the most common form of industrial purchase situation where the buying organization requires little or no information about the product/service. This situation is considered as routine buying and the industrial buyer most often have well developed criterion‟s that have been often used before.

(ibid). Evaluating criterion‟s, suppliers and other stages in the process are considered as unnecessary in this situation since the same product has been bought before. However, the first step of the process (need recognition) is taken into consideration. On the other hand**, a modified re-buy** occurs after the buyer have bought a new product or made a straight re-buy. The industrial buyer reevaluates the supplier, product, prices and services; however this doesn‟t mean that the buyer will change product or supplier. According to Robinson et al (1967) there are four factors leading to a modified re-buy; cost reductions, disaffection with current supplier, development of product or better offerings from another supplier surrounding price, quality or service. In this case the buying organization puts most focus in evaluating suppliers. (ibid)

4.1.3.Buyer decision process

After defining the different circumstances influencing the buyer behavior we argue that it is important to define the actual buying decision process. In order for a marketer to be successful [s]he needs to examine the complex subject of buyer decision processes (Kotler et al, 2007). The buying process involves different stages that organizations phase during and after a purchase. Yet, this buying process may differ a lot depending on what type of product that will be bought (ibid). The authors Robinsson et al (1967) illustrate this process by developing a model which lays down how the process of deciding to buy a product looks like for industrial organizations. This model is separated into eight different buy-phases. These phases will be described in more detail below;

1. **Need recognition**: This is the first step in the buyer process where a problem or need is identified by someone in the organization

2. **Definition of the characteristics of the item needed:** In this stage a description of alternative solutions is presented and questions like; what does the company need? Which service attributes and quanities are needed ?

3. **Development of the specifications**: A more detailed technical specification of the product/service is presented. This information will be vital for the coming stages.

4. **Search for supplier**; The buying organization searchs for suppliers that can offer them the wanted product/service. When dealing with more complex and costly products/services the buying organization spends more time finding their supplier.

5. **Acquistion and analysis of proposals**: The most qualifying suppliers are chosen and their different proposals are analyzed. If the buying organization are buying more complex and expensive products/services the suppliers need to make formal presentations of alternativ solutions responding to the organizations need. This stage is similar to the previous stage and occur almost always in parallel. However, if the buyer have very little information from the beginning then these stages are more separable.

6. **Evaluation of suppliers**: The members of the buying decision center evaluate the supplier by the product/service attributes offered (which attributes matter most?),

brand belief

(opinions about the brand)

7. **Selection of an order routine**: This phase starts by sending an order to the supplier. However, the buying process is not finished until the product/service has been delivered and the buying organization has accepted it. Preparation of the order before it is sent to the supplier, control and evaluation of the order are some of the activities done in this phase
8. **Evaluation**: Post purchase evaluation to see whether the supplier and the product/service fulfilled the requirements and preferences.

4.1.4.Buyer decision center

A group of individuals within an organization form the buyer decision center. According to Cyert & March (1992), all organizations have their own decision center. However, this center might differ in terms of size and structure from one organization to another. The term of decision center implies to all members being a part of the industrial buying decision process (Robinson et al., 1967). According to Cyert & March (1992), the decision center consists of individuals having different goals such as profit, sales, market shares and production. According to Parkinsson & Baker (1986) when a organization identify their buying center it is important to tackle two important factors;

1. **Roles** in the decision center

2. **Factors influencing** the members

4.1.5. Roles in the decision center

In every decision center there are different members having different roles and authorities and according to Webster & Wind (1972) this decision center can be a very complex environment consisting of initiators, buyers, users, influencers, decision makers and gatekeepers. The initiators are the individuals within the organization that first recognizes the need for a product or service. The buyers have the formal authority and responsibility for choosing suppliers, deciding buyer conditions and price negotiations. (ibid)

While the users are the actual individuals that will use the product and they are best equipped with the right knowledge and experience to evaluate the product. The influencer do not have any direct authority when it comes to the buyer decision, however, they still affect the decision outcome. The decision makers have a formal authority and responsibility to make the final decision. Finally, the gatekeepers control the information flow in this decision making process and thereby they affect the process indirectly (Webster &Wind, 1972).

4.1.6.Factors influencing the buying center

The variables are; (1) conditions of the buying situation, (2) personal characteristics and (3) organizational structure characteristics. These variables are illustrated in the model below:

4.1.7.Conditions of the buying situation

According to Samaniego & Cillian (2004) there are five different variables that influences the buying center; (1) **Buyclasses;** have a direct influence on the buying center. According to the industrial buying theory, the buying center searches for more information if they are facing a new task and thereby it decreases uncertainty. **(2) Level of complexity**; this variable consists of two types of areas; the complexity of the buying situation and; the complexity of the product (Dadzie, Johntson et al 1999). According to Bonoma (1982), the higher the level of complexity (buying situation & product), the more individuals involved in the buying center**.**

(3) Importance; the degree of importance is defined as how much the purchase has influence on the organizations productivity and profitability. Bonoma (1982) argues if the degree of importance and complexity is low, one single individual can hold all roles in the decision center. **(4) Risk**; if the industrial buyer experience greater risk with the purchase the degree of influence and involvement in the buying center increases. This is done in order to reduce and minimize potential risks.
(5)Time pressure; According to Speakman & Mariarty (1984) referred by G.Samaniego & G.Cillian (2004) the degree of involvement and influence reduces when there is a high time pressure.

4.1.8.Personal characteristics

According to Samaniego & Cillian (2004) there are two different variables related to the personal characteristics that influences the buying center. **(1) Personal influence**; the more an individual is involved in the buying process the greater the possibility for the individual to feel motivated to participate and influence the buying center. **(2) Personal experience;** the greater individual experience [in terms of buying] increases the involvement and influence on the buying center.

According to Samaniego & Cillian (2004) there are five different variables related to the organizational structure that influences the buying center; **(1) Size**; Size and the structure of an organization determine the size and complexity of the buying center , **(2) Specialization**; higher degree of specialization within an organization leads to higher involvement and influence on the buying center, **(3) Standardization**; higher level of standardization increases the possibilities to develop well structured buying centers and thereby decreases the degree of involvement and influence, **(4) Centralization**; a higher degree of decentralization indicates that a larger number of departments within the organization are involved, which in turn signify that more individuals are involved and influence the buying center, **(5) Formality;**

Different types of formalities such as rules, policies and different procedures for certain activities influence the buying center and thereby the buying process (ibid).

Supplier selection criterions

According to Axelsson (1998), there is always a step in the buying process where the buying center evaluates different suppliers based on some certain criterions. The author presents important factors that need to be addressed when choosing a certain supplier. These factors where brought from an earlier research where organizations where asked what they considered to be the most important factors when evaluating a supplier (ibid). These factors are as follows;

1. Price
2. Product quality
3. Accessibility to information
4. Service & Support
5. Delivery costs
6. Delivery time
7. Stability in the delivery
8. Participation in the product development
9. Supplier flexibility
10. Geographic localization
11. Technological standard
12. ISO-certification

However, the authors Cebi & Bayraktar (2003) also present some other important factors when evaluating a supplier such as;

1. Supplier reputation
2. Earlier experience with supplier
3. Guarantees of results
4. Supplier knowledge and competence
5. Direct communication and contact

4.1.9.The buy grid framework

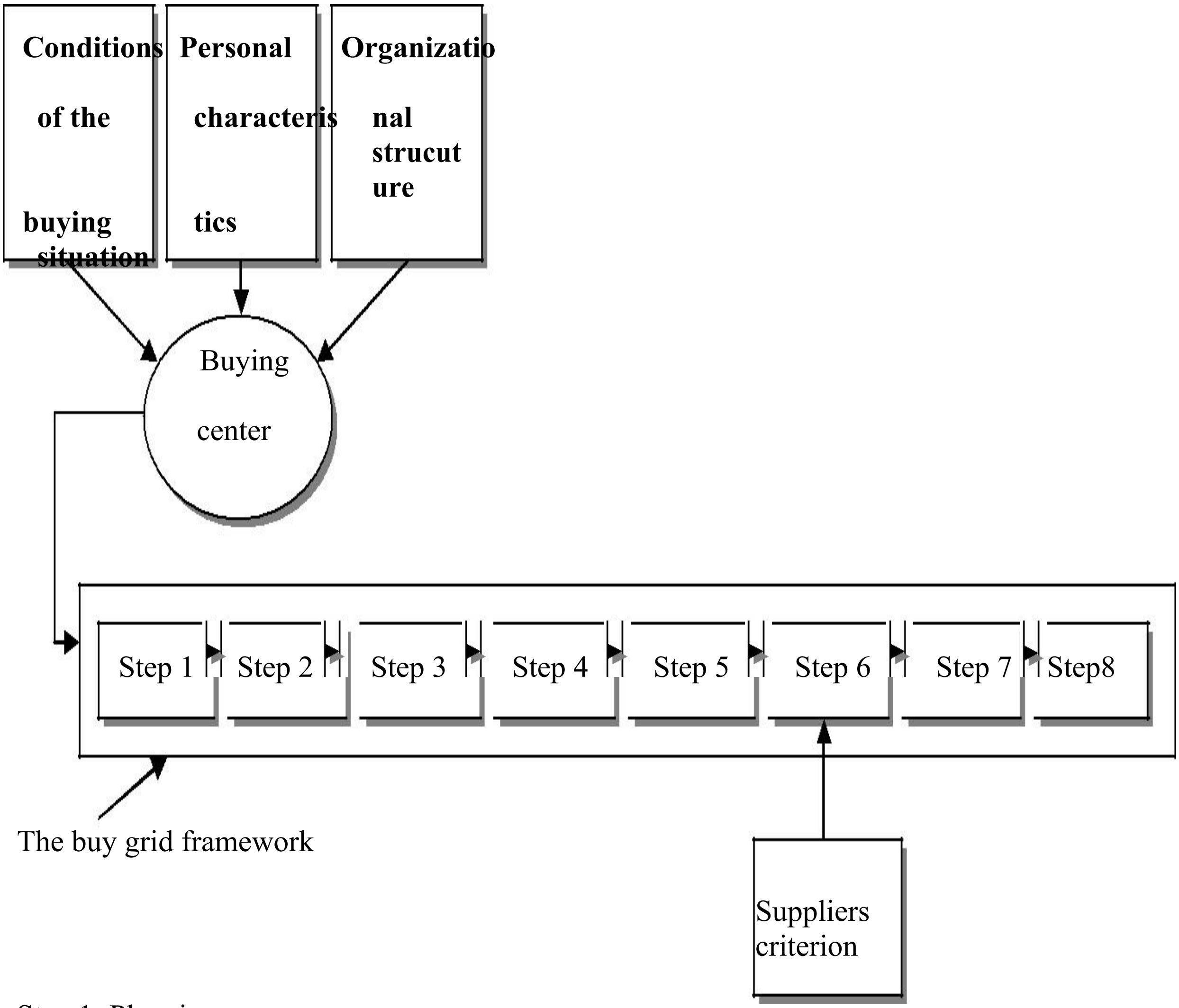
It is not easy to develop a model that fits in all situations for industrial buyer behavior. The buyer decision process will most often change from one situation to another depending on which factors influence the decision in each specific situation (Parkinson & Baker, 1986). However, Robinson et al (1967) have developed a model called the Buy grid framework where they combine the eight staged buyer decision in process [fig 4] with the three different buying situations. This framework illustrates the process of an industrial buyer moving through finding a need/identifying a problem towards purchasing and evaluating it. Depending on the buyclass the different steps become more or less important.

	New buy	Modified re-buy	Direct re-buy
Identify problem	Yes	Maybe	No
Define criteria	Yes	Maybe	No
Product specification	Yes	Yes	Yes
Search for suppliers	Yes	Maybe	No
Analysis of offers	Yes	Maybe	No
Choice of supplier	Yes	Maybe	No
Routine for ordering	Yes	Maybe	No

Evaluation	Yes	Yes	Yes

4.1.10.Theoretical Framework

To be able to analysis the industrial buying behavior a clear understanding of how these different fields relates to each other. Figure 5 visualizes the relation between the buying center, buy grid framework and the suppliers criterions. This aims to help us in our analysis, it visualizes the relationships and how it affects each other.



Step 1: Planning
Step2 : Define the objective
Step3 :Understand consumer
Step4 :Define problem
Step5 :Information search
Step6 :Evaluation of alternatives
Step7 :Purchase

Step8 :Postpurchase Evaluation

4.2.Individual or Consumer Buying Behavior

I. **Consumer Markets and Consumer Buying Behavior**

A. Buying behavior is the decision processes and acts of people involved in buying and using products.

B. Consumer buying behavior refers to the buying behavior of ultimate consumers—those who purchase products for personal use and not for business purposes.

C. Understanding buying behavior requires knowledge of the consumption process and consumers' perceptions of product utility.

II. **Consumer Buying Decision Process**

A. The consumer buying decision process is a five-stage purchase decision process which includes problem recognition, information search, evaluation of alternatives, purchase, and post-purchase evaluation.

1. The actual act of purchase is only one stage in the process and is not the first stage.

2. Not all decision processes, once initiated, lead to an ultimate purchase; the individual may terminate the process at any stage.

3. Not all consumer buying decisions include all five stages.

B. **Problem Recognition**

1. This stage occurs when a buyer becomes aware of a difference between a desired state and an actual condition.

2. Recognition speed can be slow or fast.

3. Individual may never become aware of the problem or need. Marketers may use sales personnel, advertising, and packaging to trigger recognition of needs or problems.

C. **Information Search**

1. After the consumer becomes aware of the problem or need, he or she searches for information about products that will help resolve the problem or satisfy the need.

2. There are two aspects to an information search:

   a) In the internal search, buyers first search their memories for information about products that might solve the problem.

   b) In the external search, buyers seek information from outside sources.

      (1) An external search occurs if buyers cannot retrieve enough information from their memories for a decision.

      (2) Buyers seek information from friends, relatives, public sources, such as government reports or publications, or marketer-dominated sources of information, such as salespeople, advertising, websites, package labeling, and in-store demonstrations and displays. The Internet has become a major information source.

3. Repetition, a technique well known to advertisers, increases consumers' learning. Repetition eventually may cause wear-out, meaning consumers pay less attention to the commercial and respond to it less favorably than they did at first.

D. **Evaluation of Alternatives**

1. A successful information search within a product category yields a consideration set (aka evoked set), which is a group of brands that the buyer views as possible alternatives.

   a) The consumer establishes a set of evaluative criteria, which are objective and subjective characteristics that are important to him or her.

   b) The consumer uses these criteria to rates and ranks brands in the consideration set.

2. Marketers can influence consumers' evaluations by "framing" the alternatives —that is, by the manner in which they describe the alternatives and attributes.

E. **Purchase**

1. Purchase selection is based on the outcome of the evaluation stage and other dimensions.

   a) Product availability, seller choice, and terms of sale may influence the final product selection.

3. The buyer may choose to terminate the buying decision process, in which case no purchase will be made.

F. **Postpurchase Evaluation**

1. After purchase, the buyer begins to evaluate the product to ascertain if the actual performance meets expected levels.

    a) Evaluation is based on many of the same criteria used when evaluating alternatives.

2. Cognitive dissonance is a buyer's doubts that arise shortly after a purchase about whether it was the right decision.

4.2.1.Factors Influencing Buyer Behaviour

Situational Influences on the Buying Decision Process

A. Situational influences are factors that result from circumstances, time, and location that affect the consumer buying decision process.

    1. Can influence a consumer's actions in any stage of the buying process

    2. Can shorten, lengthen, or terminate the buying process.

B. Situational factors can be divided into five categories:

    1. Physical surroundings include location, store atmosphere, aromas, sounds, lighting, weather, and other factors in the physical environment in which the decision process occurs.

    2. Social surroundings include characteristics and interactions of others who are present during a purchase decision or who may be present when the product is used or consumed (e.g. friends, relatives or salespeople), as well as conditions during the shopping environment (e.g. an overcrowded store may cause the buyer to terminate the buying decision process).

    3. The time dimension influences the buying decision process in several ways, such as the amount of time required to become knowledgeable about a product, to search for it, and to buy and use it.

        a) Time plays a role as the buyer considers the possible frequency of product use, the length of time required to use the product, and the length of the overall product life.

        b) Other time dimensions influence purchases, including time of day, day of the week or month, seasons, and holidays.

        c) The amount of time pressure a consumer is under affects how much time is devoted to purchase decisions. A customer under severe time constraints is likely either to make a quick purchase decision or to delay a decision.

4. The reason for the purchase raises the questions of what the product purchase should accomplish and for whom. For example, people who are buying a gift may buy a different product from one they would buy for themselves.

5. The buyer's momentary moods or conditions (e.g., fatigue, illness, having cash) may have a bearing on the consumer buying decision process. Any of these moods or conditions can affect a person's ability and desire to search for information, receive information, or seek and evaluate alternatives. They can also significantly influence a consumer's post-purchase evaluation.

Psychological Influences on the Buying Decision Process

Psychological influences are those which operate in part to determine people's general behavior and thus influence their behavior as consumers. Psychological factors are internal, but are affected by outside social forces.

A. **Perception**

1. Perception is the process of selecting, organizing, and interpreting information inputs to produce meaning.

    a) Information inputs are sensations received through sight, taste, hearing, smell, and touch.

    b) Perception is highly complex, leading markets to increasingly take a multi-sensory approach.

2. Perception is a three-step process.

    a) Although we receive numerous pieces of information at once, only a few reach our awareness.

        (1) Only a few pieces of information reach our awareness through a process called selective exposure, in which an individual selects which inputs will reach awareness. A person's current set of needs affects selective exposure, with preference given to one's strongest needs.

        (2) The selective nature of perception may result in two other phenomena: selective distortion and selective retention.

        (3) Selective distortion is changing or twisting currently received information; it occurs when a person receives information inconsistent with personal feelings or beliefs.

        (4) In selective retention**,** a person remembers information inputs that support personal feelings and beliefs and forgets inputs that do not.

    b) Perceptual organization is the second step in the perception process. Information inputs that reach awareness must be organized by the brain in such a way as to produce meaning. An individual mentally organizes and integrate new information with what is already stored in memory.

(1) "Closure" is an organizational method in which a persona mentally fills in information gaps to make a pattern or statement.

c) Interpretation, the third step in the perceptual process, is the assignment of meaning to what has been organized. A person bases interpretation on what he or she expects or what is familiar.

3. Marketers cannot control buyers' perceptions, but they try to influence them through information. This approach is problematic.

a) A consumer's perceptual process may operate so that a seller's information never reaches awareness.

b) A buyer may receive a seller's information but perceives it differently than intended.

c) A buyer may perceive information inputs to be inconsistent with prior beliefs and therefore are likely to forget the information quickly (selective retention).

B. **Motives**

1. A motive is an internal energizing force which directs a person's behavior toward satisfying needs or achieving goals.

a) A buyer's actions are affected by a set of motives, some stronger than others.

b) Motives affect the direction and intensity of behavior.

2. Psychologist Abraham Maslow conceived a theory of motivation; Maslow's hierarchy of needs organizes human needs into five levels. Humans try to satisfy these needs starting with the most basic. Once needs at one level are met, humans move on to fulfilling needs at the next level:

a) At the most basic level are "physiological needs," requirements for survival such as food, water, sex, clothing, and shelter.

b) At the next level are "safety needs," which include security and freedom from physical and emotional pain and suffering.

c) Next are "social needs," the human requirements for love and affection and a sense of belonging.

d) At the level of "esteem needs," people require respect and recognition from others as well as self-esteem, a sense of one's own worth.

e) At the top of the hierarchy are "self-actualization needs," which refer to people's need to grow and develop and to become all they are capable of becoming.

(1) Most people do not reach the final levels of the hierarchy.

3. Patronage motives are motives such as price, service or friendly salespeople, which influence where a person purchases products on a regular basis.

C. **Learning**

Learning refers to changes in an individual's thought processes and behaviors caused by information and experience.

1. The learning process is strongly influenced by the consequences of an individual's behavior; behaviors with satisfying results tend to be repeated.

2. Inexperienced buyers may use different, more simplistic, types of information than experienced shoppers familiar with the product and purchase situation.

3. Marketers help customers learn about their products by helping them gain experience with them, perhaps through free samples, in-store demonstrations, and test drives.

4. Consumers learn about products indirectly through information from salespeople, friends, relatives, and advertisements.

D. **Attitudes**

An attitude is an individual's enduring evaluation of, feelings about, and behavioral tendencies toward a tangible or intangible object or idea.

1. Attitudes remain generally stable in the short term, but they can change over time.

2. An attitude consists of three major components:

a) cognitive (knowledge and information about an object or idea)

b) affective (feelings and emotions toward an object or idea)

c) behavioral (actions regarding an object or idea)

3. Consumers' attitudes toward a firm and its products strongly influence the success or failure of the organization's marketing strategy.

4. Marketers should measure consumer attitudes toward prices, package designs, brand names, advertisements, salespeople, repair services, store locations, features of existing or proposed products, and social responsibility activities.

5. Seeking to understand attitudes has resulted in two major academic models

   a) The Fishbein Model (the attitude toward the object) can be used to understand a consumer's attitude, including beliefs about product attributes, strength of beliefs and evaluation of beliefs. These elements combine to form the overall attitude toward the object.

   b) The Theory of Reasoned Action (behavior intentions model) focuses on intentions to act or purchase. It considers consumer perceptions of what other people believe is the best choice among a set of alternatives and focuses on attitudes toward buying behavior.

6. Several methods help marketers gauge consumer attitude.

   a) Direct questioning of consumers.

      (1) The Internet and social networking sites have become valuable tools.

   b) An attitude scale is a means of measuring consumers' attitudes by gauging the intensity of individuals' reactions to adjectives, phrases, or sentences about an object.

7. Marketers may try to change negative attitudes toward an aspect of a marketing mix to make them more favorable, but this is generally a long, expensive, and difficult task and may require extensive promotional efforts.

E. **Personality and Self-Concept**

1. Personality is a set of internal traits and distinct behavioral tendencies which result in consistent patterns of behavior.

   a) Personality arises from unique hereditary characteristics and personal experiences.

   b) Studies of the link between buying behavior and personality have been inconclusive; although many marketers are convinced there is a link.

   c) The VALS program is a consumer framework based on individual personality characteristics.

   d) Advertisements may be aimed at certain personality types, usually focusing on positively valued personality characteristics.

2. Self-concept, or self-image, is a perception or view of oneself.

   a) Buyers purchase products that reflect and enhance self-concept.

b) A person's self-concept may influence whether he or she buys a product in a specific product category and may have an impact on brand selection.

F. **Lifestyles**

A lifestyle is an individual's pattern of living expressed through activities, interests, and opinions.

1. Lifestyle patterns include the way people spend time, extent of interaction with others, and general outlook on life and living.

2. People partially determine their own lifestyle, but lifestyles are influenced by other factors such as personality and demographics.

3. Lifestyles strongly impact the consumer buying decision process, including product needs.

4. The VALS program

   a) Developed by SRI Consulting Business Intelligence

   b) One of the most popular frameworks for exploring consumer lifestyles. It divides consumers into eight groups: innovators, thinkers, achievers, experiencers, believers, strivers, makers and survivors.

4.2.2.Level of Involvement and Consumer Problem-Solving Processes

A. To acquire and maintain products that satisfy their current and future needs, consumers engage in different types of problem-solving processes depending on the nature of the products involved. The amount of effort, both mental and physical, that buyers expend in solving problems also varies considerably.

B. A major determinant of the type of problem-solving process employed depends on the customer's level of involvement**,** the degree of interest in a product and the importance the individual places on that product.

1. Levels of involvement may be classified as low, high, enduring, and situational.

   a) High-involvement products tend to be those that are visible to others (e.g., clothing, furniture, or automobiles) and expensive, as well as issues of high importance, such as health care.

   b) Low-involvement products tend to be less expensive and have less associated social risk, such as many grocery items.

   c) A person's ongoing and long-term interest in a product or product category is referred to as "enduring involvement."

d) “Situational involvement” is temporary and dynamic, and results from a particular set of circumstances, such as the need to buy a new car after being involved in an accident.

e) Consumer involvement may be attached to product categories (e.g., sports), loyalty to a specific brand, interest in a specific advertisement (e.g., a funny commercial) or a medium (such as a particular television show), or to certain decisions and behaviors (e.g., a love of shopping).

2. Involvement level, as well as other factors, affects a person’s selection of one of three types of consumer problem solving: routinized response behavior, limited problem solving, or extended problem solving.

a) Routinized response behavior is the type of consumer problem-solving process which requires very little search-and-decision effort; it is used for low-priced, frequently-purchased products.

b) Limited problem solving is a type of consumer problem-solving process buyers use when they occasionally purchase products or need information about unfamiliar brands in a familiar product category; it requires a moderate amount of time for information gathering and deliberation.

c) Extended problem solving is the consumer problem-solving process employed with unfamiliar, expensive, or infrequently purchased products, such as a car, home, and college education; buyers use many criteria to evaluate brands and spend time searching for information and deciding on the purchase.

d) Impulse buying, in contrast, is an unplanned buying behavior involving a powerful urge to immediately buy something.

4.2.3. Influencing buyer behaviour

Social influences are the forces other people exert on one’s buying behavior.

A. **Roles**

1. Every person occupies a position within groups, organizations and institutions.

2. A role is a set of actions and activities an individual in a particular position is supposed to perform based on the expectations of both the individual and surrounding persons.

3. Each individual has many roles and each role affects both general behavior and buying behavior.

B. **Family Influences**

1. An individual’s family roles directly influence their buying behavior.

2. Consumer socialization is the process through which a person acquires the knowledge and skills to function as a consumer.

3. The extent to which different family members take part in family decision making varies between families and product categories. Traditional family decision making processes are divided into four categories: autonomic, husband dominant, wife dominant, and syncratic.

4. The family life cycle stage affects individual and joint needs of family members.

5. Within a household, an individual may perform one or more buying-decision roles.

    a) The gatekeeper is the household member who collects and controls information—price and quality comparisons, locations of sellers, and assessment of which brand best suits the family's needs.

    b) The influencer is a family member who expresses his or her opinions and tries to influence buying decisions.

    c) The decider is a member who makes the buying choice.

    d) The buyer is a member who actually makes the purchase.

    e) The user is any household member who consumes or uses the product.

C. **Reference Groups**

1. A reference group is any group—large or small—that positively or negatively affects a person's values, attitudes, or behaviors.

2. There are three major types of reference groups: membership, aspirational, and dissociative.

    a) A membership reference group is one to which an individual actually belongs; the individual identifies with group members strongly enough to take on the values, attitudes, and behaviors of people in that group.

    b) An aspirational reference group is a group to which a person aspires to belong; the individual desires to be like those group members.

    c) A group that a person does not wish to be associated with is a dissociative or negative reference group; the individual does not want to take on the values, attitudes, and behavior of group members.

3. A reference group is an individual's point of comparison and a source of information.

4. How much a reference group influences a purchasing decision depends on the individual's susceptibility to reference group influence and strength of involvement with the group.

5. Reference group influence may affect the product decision, the brand decision, or both.

6. A marketer sometimes uses reference group influence in advertisements to promote product purchases and high product satisfaction within a specific group.

D. **Opinion Leaders**

1. An opinion leader is a reference group member with knowledge or expertise who provides information about a specific sphere that interests reference group participants.

2. An opinion leader is likely to be most influential when consumers have high product involvement but low product knowledge, when they share the opinion leader's values and attitudes, and when the product details are numerous or complicated.

E. **Social Classes**

A social class is an open aggregate of people with similar social rank.

1. Criteria used to group people into classes vary from one society to another.

2. In the United States, we group according to many factors, including occupation, education, income, wealth, race, ethnic group, and possessions; analyses of social class in the U.S. divide people into three to seven class categories (see Table 7.4 on pp. 210 in the text).

3. Individuals within social classes develop some common patterns of behavior, attitudes, values, language patterns and possessions.

4. Because social class influences so many aspects of a person's life, it also affects

    a) Buying decisions

    b) Spending, saving, and credit practices

    c) Type, quality, and quantity of products

    d) Shopping patterns and stores patronized

F. **Culture and Subcultures**

1. Culture is the accumulation of values, knowledge, beliefs, customs, objects, and concepts that a society uses to cope with its environment and passes on to future generations

2. Culture includes:

   a) Tangible items such as food, clothing, furniture, buildings, and tools

   b) Intangible concepts such as education, welfare, and laws

   c) The values and a broad range of behaviors accepted by a specific society

3. Because cultural influences affect the ways people buy and use products, culture affects the development, promotion, distribution, and pricing of products.

4. International marketers must take into account global cultural differences.

a) People in other regions of the world have different attitudes, values, and needs.

   b) International marketers must adapt to different methods of doing business and must develop different types of marketing mixes.

5. Subcultures are groups of individuals whose characteristic values and behavior patterns are similar and differ from those of the surrounding culture.

   a) Subcultural boundaries are usually based on geographic designations and demographic factors.

   b) Marketers recognize that the growth in the number of U.S. subcultures has resulted in considerable variation in consumer buying behavior.

      (1) **African American Subculture**

         (a) Represents 12.3% of the U.S. population

         (b) Spend more money on depreciable products like clothing, entertainment and food.

         (c) Many companies have renewed their advertising focus on African Americans.

      (2) **Hispanic Subculture**

         (a) Is the largest ethnic group, with 15% of the U.S. population, and is growing rapidly

         (b) This subculture is composed of many diverse cultures from across Latin America.

(c) Many companies have Spanish-language advertising and promotions featuring Hispanic and Latino celebrities.

(3) **Asian American Subculture**

(a) Represents 4.4% of the U.S. population and is comprised of 15 different ethnic groups.

(b) Individual language, religion, and value system of each group influences purchasing decisions, although some traits are common among all the ethnic groups.

(c) Some cross-culture traits include an emphasis on hard work, strong family ties, and high value placed on education.

Consumer Misbehavior

A. Consumer misbehavior is behavior that violates generally accepted norms of a particular society.

1. Definitions of misbehavior can vary between cultures

2. Shoplifting, consumer fraud, abusive consumers, and pirating/illegally copying products are all examples of consumer misbehavior.

3. Understanding the psychological and social reasons for misconduct can help in preventing and responding to problems

4.2.4.Models of Consumer Behaviour

The psychoanalytical model : The psychoanalytical model draws from Freudian psychology. According to this model, the individual consumer has a complex set of deep seated motives which drive him towards certain buying decisions. The buyer has a private world with all his hidden fears, suppressed desires and totally subjective longings. His buying action can be influenced by appealing to those desires and longings.

4.2.4.1.Learning model:

All theories of buyer behaviour have been basically based on a learning model namely, Stimulation- Response or more popularly known as SR model. SR learning theory is very useful to modern marketing and marketers. Learning is the centrifugal point in the entire study to human behaviour. Learning, as noted earlier, refers to a change in the behaviour which occurs as a result of practice. It is a change in the behaviour that results from previous experience and behaviour in similar situations. What is important, learning is a product of reasoning, thinking, information processing and, of course, perception. Therefore, behaviour is deeply affected by the learning experiences of the buyers.

4.2.4.2.Sociological model:

According to sociological model, the individual buyer behaviour is influenced by society —by intimate groups as well as social classes. That is, his buying decisions are not totally determined by the concept of utility. That is his buying decisions are governed by social compulsions.

Nicosia model: As well known consumer motivation and bevaviour expert Mr. Nicosia presented his buyer model in 1966 which attempts to establish linkages between the marketing firm and its consumer. The essence is how the activities of the firm influence the consumer and result in his direction to buy. According to his model the messages from the firm first influence the predisposition of the consumer towards the product, he develops a certain attitude towards the product depending on the situation.

4.2.4.3.Howard Sheth Model

John Howard and Jagdish Sheth presented their buyer model in 1969. its an integrated model. It assumes problem solving approach in buying and adopts input-output or system approach in buying. Howard introduced learning process in buying. Satisfaction leads brand loyalty. Discontentment creates brand switching by the buyers. It other words , the logic of this model that there are inputs in the form of stimuli. There are output beginning with attention to a given stimulus and ending the purchase. In between these inputs and outputs , there are variable affecting perception and learning. These variables are –hypothetical|| as they can not be directly measured at the time of occurrence.

4.3. Online Buyer Behavior

With the existence of online environment, the basic principles of buyer behavior are changing.

The following specifics of online buyer behavior are (see the Tab. 1):

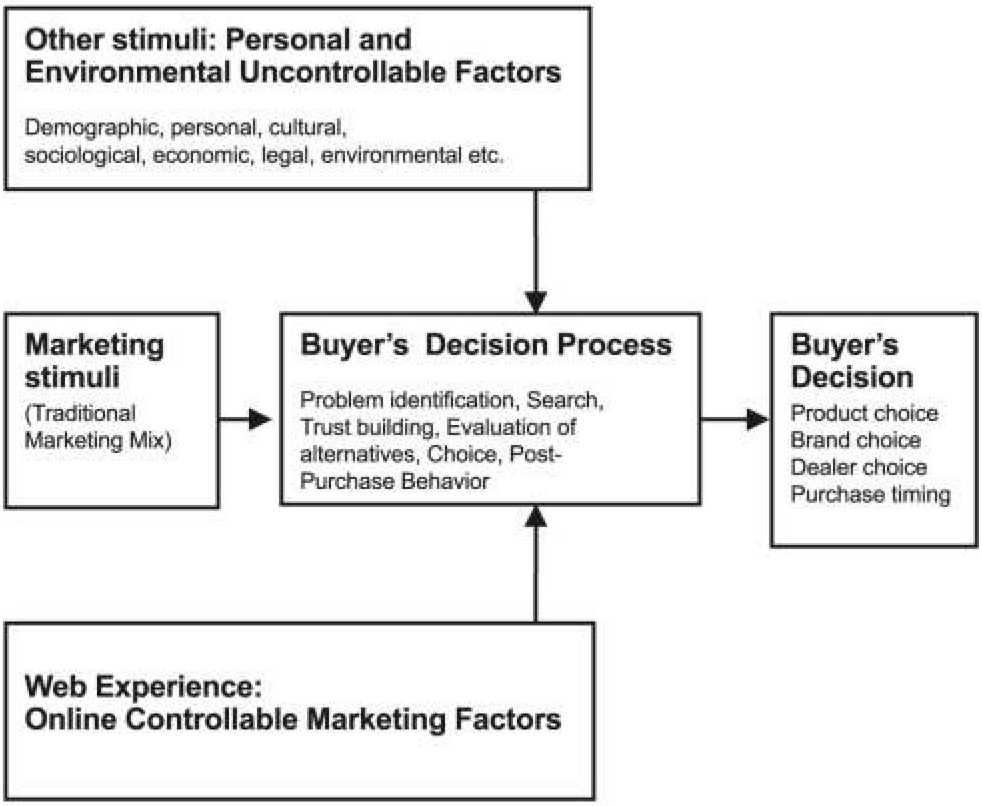
Tab. 1 – Specifics of online buyer behavior. Source: own on literature review.

Internet environment	Internet users can find objective and subjective information about the products and companies easier than ever. Online companies compute not only to each other but also with potential online customer (posi- tive and negative references, internet communities, social networks and social media etc.). Social media provides an interactive communi- cation between its users. With social media, the marketing activities had to be reformulated.
Modern forms of marketing activities	Traditional marketing forms are not in the Internet environment effective. With the development of e-commerce, new marketing ac- tivities had to be created – marketing on social networks and media, viral marketing, online word-of-mouth and buzz marketing, online interactive communication. Online potential shoppers are interested in only the marketing activities that can offer for them the value

	added (online games and competitions, community identifying with products and company, online sharing etc.).
Internet community	Internet users discuss about their life style about products and companies, find detail information about them. Opinion of internet community (in social media, discussion forums i.e.) influence the final online buying decision process. The internet company in its marketing has to join the internet community and manage the online communication.
Subject of online shopping	Online shoppers buy the most – with electronics and techniques, books, tickets or clothes and cosmetics. The online buying of food is at the moment the rarity (during the time it is expected the increasing of online buying of goods). The expectation is that the common buying will move the online environment. Standardized products such as books, CDs and tickets are more likely to be purchased online. Because quality uncertainty in such products is very low, and no physical help is required (Grewal et al., 2002).

Demographic structure of online shoppers	Today, online shoppers are the most often between 18 and 40 years and come from the middle-income class. There are differences in online behavior between the "Facebook generation" and generation that lived most of their lives without online communication. The older online generation (up to 50) is increasing – the companies have to focus on them.
Approach a motives to the online shopping	The main motives to the online shopping are lower costs, comfort of shopping (nonstop and everywhere), saving time and buying of non-traditional and exclusive goods. The another motives can be the increasing trends of online shopping in general or changing life styles on consumers. The question is if these motives are dependent on social status and role, age, education or income of online shoppers. Older generation find and try the product on traditional market, after that they do online shopping. Younger generation make the all buying decision-making process online.

Forces influencing the online consumer's behavior



Source: Based on the P. Kotler's framework (2003)

4.4..Analysis of Consumer behaviour online

This report will outline the most relevant behavioural characteristics of online consumers and examine the ways they find, compare and evaluate product information. Comparison of the newly collected survey data with the existing consumer behaviour theory resulted in detection of a number of issues related to a specific consumer group. The purpose of this report is to translate these findings into a set of implementation activities on strategic and technological level. Execution of these recommendations will result in better conversion of visitors into customers and encourage customer loyalty and referrals.

The focus group of this study will be young adults aged between eighteen and thirty-four interested in buying a mobile phone or a related product.

Research by Shun & Yunjie (2006) showed that there are product types, which are more likely to be sold online such as software, books, electronics and music. Reason for this is that when purchasing these types of products, one does not require personal inspection and most, if not all features, can be outlined in the product description and images. Most products in the mobile phone family belong to this category.

According to the recent research on consumer behaviour on the Internet users (Cotte, Chowdhury, Ratenshwar & Ricci, 2006), there are four distinct consumer groups with different intentions and motivations:

- Exploration
- Entertainment
- Shopping
- Information
- **Music Videos, Lyrics** - Daily updated collection of music videos and lyrics.

Majority of young adults interviewed for purpose of this research tend to be active information seekers. A high level of technological confidence within this group tends to be an encouraging factor when it comes to product information research online.

The following analysis presents both, focus group results and behavioural theory in a parallel fashion divided into two main research topics:

- Information Retrieval and Search Patterns
- Perception of Product Information Online

These two areas are mutually dependent and particularly important in a market where consumers have the power to choose the right product from a number of competing suppliers. Well-structured product information that cannot be found easily online is as much of a problem as is having easily accessible information that does not meet the consumer's expectations.

4.4.1..Building & Measuring Customer Satisfaction

Managing customers' satisfaction efficiently is one the biggest challenge an organization face. The tools or methods to measure customer satisfaction needs to be defined sophisticatedly to fulfill the desired norms. There are following **methods to measure customer satisfaction:**

1. **Direct Methods:** Directly contacting customers and getting their valuable feedback is very important. Following are some of the ways by which customers could be directly tabbed:
    a. Getting customer feedback through third party agencies.
    b. Direct marketing, in-house call centers, complaint handling department could be treated as first point of contact for getting customer feedback. These feedbacks are compiled to analyze customers' perception.
    c. Getting customer feedback through face to face conversation or meeting.
    d. Feedback through complaint or appreciation letter.
    e. Direct customer feedback through surveys and questionnaires.

    Organizations mostly employ external agencies to listen to their customers and provide dedicated feedback to them. These feedbacks needs to be sophisticated and in structured format so that conclusive results could be fetched out. Face to face meetings and complaint or appreciation letter engages immediate issues. The feedback received in this is not uniformed as different types of customers are addressed with different domains of questions. This hiders the analysis process to be performed accurately and consistently. Hence the best way is to implement a proper survey which consists of uniformed questionnaire to get customer feedback from well segmented customers. The design of the prepared questionnaire is an important aspect and should enclose all the essential factors of business. The questions asked should be in a way that the customer is encouraged to respond in a obvious way/. These feedback could received by the organizations can be treated as one of the best way to measure customer satisfaction.

Apart from the above methods there is another very popular direct method which is surprise market visit. By this, information regarding different segment of products and services provided to the customers could be obtained in an efficient manner. It becomes easy for the supplier to know the weak and strong aspects of products and services.

2. **Indirect Method:** The major drawback of direct methods is that it turns out to be very costly and requires a lot of pre compiled preparations to implement. For getting the valuable feedbacks the supplier totally depends on the customer due to which they looses options and chances to take corrective measure at correct time. Hence there are other following indirect methods of getting feedback regarding customer satisfaction:
    a. **Customer Complaints:** Customer's complaints are the issues and problems reported by the customer to supplier with regards to any specific product or related service. These complaints can be classified under different segments according to the severity and department. If the complaints under a particular segment go high in a specific period of time then the performance of the organization is degrading in that specific area or segment. But if the complaints diminish in a specific period of time then that means the organization is performing well and customer satisfaction level is also higher.

b. **Customer Loyalty:** It is necessarily required for an organization to interact and communicate with customers on a regular basis to increase customer loyalty. In these interactions and communications it is required to learn and determine all individual customer needs and respond accordingly. A customer is said to be loyal if he revisits supplier on regular basis for purchases. These loyal customers are the satisfied ones and hence they are bounded with a relationship with the supplier. Hence by obtaining the customer loyalty index, suppliers can indirectly measure customer satisfaction.

4.4.2..How to Measure Your Customers' Satisfaction Levels

You have many ways to gather customer information about customer satisfaction so that you can measure your organization's efficiency with regards to customer service. One common way is to review your customer service inbox. If a customer is dissatisfied with what you've provided in terms of quality or service, they are likely to send a letter or e-mail to let you know about the issues (after chewing out some managers, of course).

Ways to measure customer satisfaction

No doubt, you have a method for dealing with customer complaints and the issues that arise from time to time within your company. The Balanced Scorecard customer leg is ideal for tracking these issues.

Here are other common ways you can gather information from customers:

- Evaluate communication at call centers and help desks.
- Check out product-return centers.

- Interview field service reps and technicians.
- Conduct surveys and send out questionnaires.
- Hire a third party (consultants, websites).
- Hold discussions with focus groups.

4.4.3..Zero in on the right customer measures

How do you measure your customers? Most companies already have some data and information on their customers, and we're sure you do, too. That's well and good, but the first thing you need to ask when beginning the customer scorecard is if your data and information include the right measures.

Do they really reflect what your customers think and how they feel about your products or services? Do they focus on the critical few things that are truly important to customers? In short, does your data measure what you really need to measure?

You can take many different approaches to measure your customers, but the key is to find the critical ones that are important to you and your company so that you can hit the right mark and avoid costly mistakes.

The measures you select depend on where you are in your organization. A strategic-level customer scorecard, for example, will have measures that comprise high-level objectives, such as customer retention and loss rates and profit and revenue per customer. Customer scorecard measures at the operational and tactical levels will be more specific.

For example, you can measure what it is about your product or service that drives retention, profit and loss, or revenue measures at the strategic level. Such measures usually focus on things like quality, cost, and speed of delivery.

So whom do you survey? This would seem to be obvious, but it is actually not so easy. Certainly you want to ask your customers, right? But which ones? And at what level within your customers? You need to ask those customers that have some knowledge about your customer service processes, likely because they have had to avail themselves of your services at one time or another.

When you consider the best way to ask your customers, surveys come to mind almost immediately. This is because surveys provide immediate, up-to-date feedback. However, conducting a survey requires that you already understand your customer's needs and expectations.

Having a customer-focused company means you must understand what your customers want and expect from your business and then evaluate how well you're meeting those desires and expectations. An often overlooked yet vital tool for accomplishing those tasks is the survey. Surveying helps you

- Gather specific feedback about how satisfied your customers are with the level of service they receive.
- Provide an initial benchmark against which you can measure future progress.
- Make changes, based on your research, to the way you do business

4.5.Customer Relationship Management

Over a century ago, in small-town America, before the advent of the supermarket, the mall, and the automobile, people went to their neighborhood general store to purchase goods. The proprietor and the small staff recognized the customer by name and knew the customer's preferences and wants. The customer, in turn, remained loyal to the store and made repeated purchases. This idyllic customer relationship disappeared as the nation grew, the population
moved from the farm communities to large urban areas, the consumer became mobile, and supermarkets and department stores were established to achieve economies of scale through mass marketing. Although prices were lower and goods more uniform in quality, the relationship
between the customer and the merchant became nameless and faceless. The personal relationship between merchant and customer became a thing of the past. As a result, customers became fickle, moving to the supplier who provided the desired object at lowest cost or with the most features.

CRM is –the development and maintenance of mutually beneficial long-term relationships with strategically significant customers
CRM consists of three components:

• customer,
• relationship, and
• management

Customer: The customer is the only source of the company's present profit and future growth. However, a good customer, who provides more profit with less resource, is always scarce because customers are knowledgeable and the competition is fierce. Sometimes it is difficult to distinguish who is the real customer because the buying decision is frequently a collaborative activity among participants of the decision-making process [Wyner, 1999]. Information technologies can provide the abilities to distinguish and manage customers. CRM can be thought of as a marketing approach that is based on customer Information.

Relationship: The relationship between a company and its customers involves continuous bi- directional communication and interaction. The relationship can be short-term or long-term, continuous or discrete, and repeating or one-time. Relationship can be attitudinal or behavioral. Even though customers have a positive attitude towards the company and its products, their buying behavior is highly situational [Wyner, 1999]. For example, the buying pattern for airline
tickets depends on whether a person buys the ticket for their family vacation or a business trip. CRM involves managing this relationship so it is profitable and mutually beneficial. Customer lifetime value (CLV), discussed in Appendix C, is a tool for measuring this relationship.

Management. CRM is not an activity only within a marketing department. Rather it involves continuous corporate change in culture and processes. The customer information collected is transformed into corporate knowledge that leads to activities that take advantage of the information and of market opportunities. CRM required a comprehensive change in the organization and its people.

4.5.1.Determinants of CRM

Trust

The willingness to rely on the ability, integrity, and motivation of one company to serve the needs
of the other company as agreed upon implicitly and explicitly.

Value

The ability of a selling organisation to satisfy the needs of the customer at a comparatively lower
cost or higher benefit than that offered by competitors and measured in monetary, temporal, functional and psychological terms.

In addition to **trust** and **value**, salespeople must:

- ♦ Understand customer needs and problems;
- ♦ Meet their commitments;
- ♦ Provide superior after sales support;
- ♦ Make sure that the customer is always told the truth
- ♣(must be honest); and
- ♦ Have a passionate interest in establishing and retaining a long-
  - ♣ term relationship (e.g., have long-term perspective).
  - ♣ Stages in the development of a Customer Relationship

he Pre-relationship Stage

The event that triggers a buyer to seek a new business partner.

The Early Stage

Experience is accumulated between the buyer and seller although a great degree of uncertainty and distance exists.

The Development Stage

Increased levels of transactions lead to a higher degree of commitment and the distance is reduced to a social exchange.

The Long-term Stage

Characterised by the companies' mutual importance to each other.

The Final Stage

The interaction between the companies becomes institutionalized**. Functions of Customer Relationship Management**

Direct functions (are the basic requirements of a company that are necessary to survive in the competitive marketplace)

Profit; Volume; and Safeguard

Indirect functions (are the actions necessary to convince the customer to participate in various marketing activities).

Innovation: Market; cout: and Access.

4.5.2.The role of salespeople as relationship builders and promoters

Sales people

- identifying potential customers and their needs;
- approaching key decision makers in the buying firm;
- negotiating and advancing dialogue and mutual trust;
- coordinating the cooperation between the customers and their company;
- encouraging the inter-organisational learning process;
- contributing to constructive resolution of existing conflicts; and
- leading the customer relationship development team

Managing the customer Relationship

Initiating the relationship

- Engage in strategic prospecting and qualifying;
- Gather and study pre-call information;
- Identify buying influences;
- Plan the initial sales call;
- Demonstrate an understanding of the customer‘s needs;
- Identify opportunities to build a relationship; and
- Illustrate the value of a relationship with the customer

Developing the relationship

- Select an appropriate offering;
- Customise the relationship;
- Link the solutions with the customer‘s needs;
- Discuss customer concerns;
- Summarize the solution to confirm benefits; and
- Secure commitment.

Enhancing the relationship

- Assess customer satisfaction;
- Take action to ensure satisfaction;
- Maintain open, two-way communication; and
- Work to add value and enhance mutual opportunities.

4.6.Customer Acquisition

Many companies have adopted customer relationship management (CRM) systems that can support both acquisition and retention by gathering data from every contact with prospects and customers. Just collecting data should not be an end unto itself, however. The real focus should be on developing a data strategy and tuning the CRM system to help your company acquire and retain the right types of customers.

4.6.1.Supporting Acquisition

The goal for the acquisition phase of your program should be deciding which prospects most closely match your company‘s "ideal prospect" profile, but you should also decide which prospects don’t meet your criteria for acquisition and eliminate them up front. This simple decision helps focus your marketing and acquisition efforts while saving costs and increasing your return on investment (ROI).

Analyzing your marketing campaigns to determine which are most effective in bringing in new customers is also important. A CRM system that is able to tag data (assigning each contact to a specific campaign) lets you analyze the return on the investment you are making in your marketing effort as well as its overall effectiveness in identifying likely prospects. Another benefit of tagging is that it lets you look at marketing programs and their related expenses by leads generated, customers acquired, and potential and realized revenue. This will enable your company to better tailor campaigns to individual customers and prospects based on response or effectiveness rates.

Acquiring customers is critical to the financial success of your business. Many companies take the decision to land-grab customers in order to secure new business, however a more sustainable approach is to strategically determine what type of customer best suits your business needs. This more strategic approach will guarantee you are able to engage high quality, profitable customers.

In order to secure new customers, companies will look to utilise a number of individual acquisition channels such as direct mail and above the line advertising. Nevertheless, in order to guarantee success, companies need to adopt a fully integrated multi-channel approach.

By doing so, companies immediately become more available to their potential customer base.Touch‘s experience of delivering effective multi-channel solutions including inbound and outbound telephony, DM fulfilment as well as email and SMS marketing allows businesses to adopt an approach to acquisition which embraces all available communication channels. Furthermore, Touch‘s knowledge and expertise in customer lifecycle management allows us to advise our Clients which ensures they are always utilising the most cost effective solution aligned to their business needs.
Touch is able to demonstrate agility in recognising that consumers' communication

channels evolve throughout the customer lifecycle, and by having the capabilities to readily respond to customers' demands, 2Touch can guarantee improved business performance.
Through our brand immersion methodology we have successfully implemented acquisition strategies for a number of Clients. Our conversion statistics prove that we can deliver the volume of customers required as well as acquiring customers who are of high value.

4.6.2.Successful Strategies Of Customer Acquisition

Customer acquisition is a process of identifying, approaching and developing new customer
relationships. It is important that new relationships formed are acquired from the right type of customer, in order to ensure a sustainable future.

Acquiring customers is one of the most important factors in the success of a business. The importance of acquisition not only lies in the volume of customers acquired, but the profitability and value that the customer will bring.
Adopting a strategic approach is advised when it comes to acquiring customers. Determining what type of customer best suits the business needs, enables you to target customers which will be profitable and add value to the organisation.

Some companies will take the decision of land-grab customers in order to secure new business. It is inevitable that this strategy will acquire customers but not necessarily the customers who will best suit the business needs.
A successful customer acquisition strategy is that of which adopts a fully integrated multi channel approach. Giving customers the choice to utilise their preferred channel, instantly creates a positive impact on potential customers. Also, this fully integrated method means businesses increase availability to their potential customer base.

Companies with successful acquisition strategies recognise that consumers; communication channels evolve throughout the customer lifecycle. This enables the company to prepare to adapt to such changes in a responsive manor.

Another important factor of customer acquisition is ensuring that a company‘s brand immersion methodology is aligned with their customer acquisition strategies. Cultural beliefs and values of the company need to be highlighted in any acquisition campaign a business implements in order to not only acquire but retain high value and profitable customers. This will not only create a positive experience for the customer, but have a positive impact on the overall brand of the business,
heightening it‘s brand awareness to the
customers.

4.6.3.Acquiring New Customers

As I have said, customers are the life blood of your business. Without them, you are out of business, fast. The majority of your energy will be expended acquiring and keeping customers at your business.

In my book, "Don't Be Afraid To Start Your Business", I go into great detail about marketing your business. Acquiring customers actually falls under the heading of marketing, however I want to go into greater detail in this chapter how to do it.

Customers come to our businesses in one of three forms. No, not Good, Bad, and Ugly, but rather New, Repeat and Referral customers.

New customers are the hardest and most expensive to get. You will spend more time, money and energy attracting new customers to your business. If you are just starting a business, listen closely, because your success here will determine whether you are in business two years from now. Once you've acquired some new customers, you can quickly move to the other two levels.

How do you attract new customers to your business? If there was one simple answer to that question, I would be worth millions of dollars. Although there isn't a single answer, there are techniques you can use that will make this task easier and less expensive. Learn to avoid the mistakes others make and you'll increase your odds for success.

4.6.4. common mistakes in customer acquisition strategies.

Understanding these common mistakes is an important step toward overcoming them and toward developing effective customer acquisition programs.

1 **Narrowly Defining "New" Customers.**

Marketing professionals have long recognized the semantic confusion over the concept of "new." One example of this confusion involves thinking about new products. To be classified as "new," does the product have to be "new to the world," or "new to our market," or "new to our company" or "new to our customer?" The answer is that "new" applies to all four situations.

Semantic confusion is also associated with the new in new bank customer acquisition programs. The question is, "What is a 'new' customer?"

The most frequent answer is that a new customer is someone "new" to the community. Individuals just moving into the community are important to the bank, and most retail bankers would like to capture as many of these new customers as possible. However, "new to the community" constitutes a narrow definition that leads many retail bankers to mistakenly underestimate the opportunity to attract new customers.

Demographic information about many communities suggests that the number of new households or individuals moving into markets is small. In some markets, the demographics may suggest that the community is losing population. With such information, it is easy for bank marketers to conclude that the opportunities a "new customer acquisition" strategy provides is small at best. As a result, the bank makes a token effort to capture those few new arrivals to the community. Not surprisingly, little marketing time, talent and resources are invested in customer acquisition programs.

4.6.4. **Under estimating the Profitability of New Accounts.**

Bankers have long argued that retail banking is an "expensive" business. Operating branches and performing all the retail banking functions carry a substantial cost that has to be covered.

Because banks must cover their retailing costs, bank managers and controllers often talk about fully loaded costs and try to calculate the true costs of retail banking services. Estimates of fully loaded costs are likely to be used in pricing such services or in calculating their profitability.

The appropriateness of using information or estimates of fully loaded cost when making retail bank product pricing decisions is under review in many banks. Without rearguing cost allocations or the wisdom of pricing based on fully loaded costs versus variable costs, it is useful to recognize the impact of this sort of review on new customer acquisition programs.

While retail banking is costly, these costs enable the bank to acquire and maintain a certain capacity to serve customers. Banks want to use the available capacity as fully as possible to improve profitability. Because existing costs must be covered, it is logical that existing customers must cover these costs. But one must ask if it is appropriate to allocate to each new customer the fully loaded costs associated with an existing customer.

The most common answer is yes. The prevailing wisdom says that the revenues new customers generate should cover the fully loaded costs associated with existing customers. If new customer profitability analyses use fully loaded costs, then the conclusion will be that new customers are either marginally profitable or are outright unprofitable. Such conclusions provide bankers a reason to downplay or ignore customer acquisition programs, a major mistake that is receiving more attention.

Some bankers interpret the value and profitability of new customers differently. They recognize that the bank's existing cost structure buys capacity and opportunity to serve customers. They also see that existing customers cover the costs. If existing customers were not already covering the bank's costs and providing a margin of profit, it is unlikely the bank would stay in the retailing business.

If costs are already being covered by existing customers, then it makes little sense to charge the same costs to newly acquired customers. Bankers who recognize this also recognize a higher value for new customers and are much more likely to take an interest in customer acquisition programs.

To the extent that the bank has excess capacity, successful customer acquisition programs enable the bank to more fully use existing capacity. Clearly, it is a mistake to underestimate the value of new customers based on erroneous assumptions about the costs of serving those new customers. This is especially true when the bank has excess capacity.

4.6.5. **Targeting Promotional Messages Poorly.**

Assuming that "new" is defined broadly to include new accounts being opened by residents in our market, then a bank should focus on developing strategies that achieve its goals of attracting a desired number of new customers.

Often, banks that pursue an active customer acquisition strategy tend to have a marketing strategy so broad that it produces little success. These broad customer acquisition programs tend to use newspapers as their primary marketing medium. In some markets, newspaper advertising efforts are supported by television or radio advertising.

In reality, the best opportunities to attract new customers are directly associated with their geographic proximity to physical banking facilities. The closer the customer is to a branch, the more likely it is that the bank can turn that non-customer into a new customer.

The best medium to deliver promotional messages to a clearly identifiable set of customers or prospective new customers is direct mail. However, many bankers refuse to consider direct mail seriously because they continue to associate it with "junk mail."

But direct mail provides a cost-effective, highly targeted way to get promotional messages to specific groups at a desired frequency. It avoids the substantial waste of broader promotional media, including newspapers.

4.6.6. **Paying Inadequate Attention to New Customer Products.**

The new customer promotional programs of many banks tend to focus on one product. This approach fails to recognize the variety of circumstances individuals and households face in opening new retail banking accounts. To succeed, it is necessary for the bank's program to promote a number of different products that meet the customer's specific needs.

The mistake occurs at two levels. First, any analysis of customer needs suggests that there are identifiable segments that need rather specific products. Since the most effective promotional programs are based on geographic proximity that may cut across various segments, it is necessary to have a product mix that supports such a marketing strategy.

Second, if the bank intends to have a broad product mix to meet the needs of several segments, the types of messages that must be conveyed will differ. To convey information adequately about the product mix places a heavy burden on newspaper advertising and virtually rules out television or radio as media alternatives.

However, in using a brochure, a substantial amount of product information can be provided in a format that customers can review at their leisure. Direct mail lends itself to providing the amount of information needed for a strategy that views the retail banking location as a major factor in the success of new customer development programs.

4.6.7. **Failing to Offer Price Appeals**.

While marketing arenas are intensely competitive, with consumers increasingly demanding discounts, coupons and other price benefits when making decisions, many banks' customer acquisition programs ignore the importance of price appeals.

It is not uncommon to find the primary theme of a bank customer acquisition program focused on some variation of image themes and prior advertising campaigns. These campaigns rarely attract customers. It is difficult for any advertiser to get customer attention, and this certainly applies to banks, including customer acquisition programs. However, an attractive price offer not only aids in gaining customer attention, but also increases the chances that a bank will be considered by potential customers. This price bonus could be something as simple as buying back checks from a competing bank or offering the bank checking account free for some period of time. Banks have done very little to make specific attractive price offers in promoting new bank products or services.

Simply including a specific attractive price offer does not mean that every new customer will take the price deal. But, including a price option increases the attention and pulling power of the ad and is likely to increase the total number of new accounts.

4.6.8. **Failing to Offer Premiums**.

Premiums operate at two levels within customer acquisition programs. The first involves the prospective customer, and the second involves the current customer.

Many bank customer acquisition programs do not offer an attractive, immediate incentive to which prospective customers may respond, despite substantial evidence that such premiums motivate prospective customers to take immediate action. Substantial evidence also exists that premiums are cost-effective in customer acquisition programs.

Because they grab attention, produce a high response rate, and have a low acquisition cost per new customer, premiums provide improved results for customer acquisition programs.

Word-of-mouth promotion, whether positive or negative, is widely recognized as a major factor in bank marketing. Bearing in mind that existing customers are also motivated by premiums, it is worthwhile for the bank to provide some incentive or premium for existing customers to refer new business to the bank.

Banks need to encourage word-of-mouth promotion and to recognize that it will be far more successful if existing customers are also provided with a premium or incentive for referrals.

4.6.8. **Neglecting to Provide Employees Adequate Training.**

When a prospective customer comes into the bank, it is critical that the employees who will be dealing with those prospects are extremely well trained.

One broad level of training requires that every employee in the bank from the chief executive officer and chairman on down, understands and believes that new customers are important. Thus, the first responsibility of marketing and training is to make sure this message is delivered and believed by every employee.

After this training has been completed, the specific employees who will be opening most of the accounts deserve additional training in several areas.

Sell to customer needs. While this sounds easy, it is important to note that some customers will want a bank's promotional offer. Fine, give those customers what they want. However, other customers, while attracted by the price offer, are willing to consider other products offered by the bank. However, it is essential that the bank employee never feel, or let customers feel, that there is any effort to sell them away from the featured price offer.

Reinforce the price deal. The employee must reinforce that the price is a great deal and show appreciation that the customer came in to take advantage of the opportunity.

Stress traditional cross-selling. Yes, employees are busy and other customers may be waiting, but it is critical to cross-sell additional bank products.

Stress the importance of new customers. The employees handling the customers must be convinced that they are doing a job that is critically important for the bank. If the bank develops a successful customer acquisition program, then the workload for these specific individuals is going to go up. This must be seen as a positive step rather than viewed simply as more work.

Without this step in training and developing proper attitudes among new accounts employees, customer service levels will not be very high and efforts to cross-sell will not be very strong.

4.6.9. **Failing to Track and Calculate New Customer Costs.**

Any customer promotional strategy must have a major commitment to track results accurately. The process of developing highly effective customer acquisition programs is more directly tied to tracking, testing and evaluating these programs than to developing radical new strategies.

Retail bankers must have a major commitment to track all aspects of these strategies. This provides the basis for making strategy adjustments that increase success rates and reduce costs per unit.

A strong tracking commitment also supports efforts to associate the appropriate costs with each new customer. Measuring customer acquisition costs over time is important in discussions of cost and revenue associated with customer acquisition programs.

4.6.10. **Failing to Make a Long-term Commitment.**

The final mistake that retail bankers are apt to make is to view customer acquisition programs as tactical and short term rather than strategic and long term.

A tactical or short-term view of customer acquisition programs would focus on adding a certain number of new customers in a particular time period. The success of the program would be evaluated based on delivering new-customers to the bank.

A strategic or longer-term view of customer acquisition programs would consistently focus on the goal of acquiring new customers. If the strategy is done well, over time the bank will be able to improve its market share in retail banking dramatically and will have the opportunity to balance its customer base for improved profitability.

Tactical customer acquisition programs tend to come from the bank's retail marketing operations. Strategic programs are much more likely to come from the bank's top management. With buy-in from top management, it is much more likely that customer acquisition programs will continue to yield attractive results over a long period of time.

Clearly, as the nine mistakes discussed in the article demonstrate, banks that want to expand their customer bases must not only recognize that "new" customers are right in their back yards, but must also develop their customer acquisition programs around products targeted to the needs of these potential customers. Direct mail is a highly effective way to pinpoint marketing efforts, while attractive price offerings and premiums can be the cornerstone of an expanded, profitable range of customers. As always, knowing your customers' needs is the most effective way to earn and hold onto their business.

4.7.Customer Retention

Customer retention refers to the percentage of customer relationships that, once established, a small business is able to maintain on a long-term basis. It is a major contributing factor in the net growth rate of small businesses. For example, a company that increases its number of new customers by 20 percent in a year but retains only 85 percent of its existing customers will have a net growth rate of only 5 percent (20 percent increase less 15 percent decrease). But the company could triple that rate by retaining 95 percent of its clients.

"Of course, growth is just one of the benefits experienced by companies with superior retention rates," William A. Sherden explained in an article forSmall Business Reports."Your profits also should improve considerably when customers stay on board for longer periods of time. The cost of acquiring customers and putting them on the books generally runs two to four times the annual cost of serving existing customers. So the longer you keep customers, the more years over which these one-time costs can be spread."

A variety of strategies are available to small business owners seeking to improve their customer retention rates. Of course, the most basic tools for retaining customers are providing superior product and service quality. High quality products and services minimize the problems experienced by customers and create goodwill toward the company, which in turn increases customers' resistance to competitors' overtures. However, it is important that small business owners not blindly seek to improve their customer retention rate. Instead, they must make sure that they are targeting and retaining the right customers—the ones who generate high profits. "In short, customer retention should never be a stand-alone program, but rather part of a comprehensive process to create market ownership," Sherden wrote.

According to Sherden, the first step in establishing a customer retention program is to create a time line of a typical customer relationship, outlining all the key events and interactions that occur between the first contact with and the eventual loss of the customer. The next step is to analyze the company's trends in losing customers. Customer defections may be related to price increases or to a certain point in the relationship life cycle, for example. Finally, small business owners can use the information gathered to identify warning signs of customer loss and develop retention programs to counteract it.

4.7.1.Strategies For Retaining Customers

One basic customer retention strategy available to small business owners involves focusing on employee retention and satisfaction. A company with a high turnover rate may not be able to maintain strong personal relationships with its customers. Even if relationships are established, the customer may decide to take its business to a new company when its contact person leaves. At the very least, high turnover creates a negative environment and reduces the quality of service provided to customers. In order to reduce turnover, it is important to provide employees with career development opportunities and high degrees of involvement in the business.

Another possible strategy for retaining customers involves institutionalizing customer relationships. Rather than just providing contact with individual employees, a small business can provide value to customers through the entire company. For example, it could send newsletters or provide training programs in order to become a source of information and education for customers. It may also be possible to establish membership cards or frequent-buyer programs as direct incentives for customer retention.

Some companies may be able to use electronic links to improve the service they provide to customers. For example, e-mail connections could be used to provide updates on the status of accounts, electronic order systems could be used to simplify reordering and reduce costs, and online services could be used to provide general information.

Sherden noted that customer retention programs are particularly important in volatile industries— those characterized by fluctuating prices and product values. In this situation, superior service may discourage but not prevent customer defections. Some strategies that may be useful to companies in volatile industries include providing stable prices over the customer life cycle, basing prices on the overall cost and profitability of the customer relationship, and cross-selling additional products and services. All of these strategies are intended to minimize the changes and problems customers experience, thus making them wants to maintain the business relationship.

4.7.1.FUNCTIONS OF CUSTOMER RETENTION

1. Reducing Attrition

Virtually every business loses some customers, but few ever measure or recognise how many of their customers become inactive. Most businesses, ironically, invest an enormous amount of time, effort and expense building that initial customer relationship. Then they let that relationship go unattended, in some cases even losing interest as soon as the sale been made, or even worse, they abandon the customer as soon as an easily remedied problem occurs, only to have to spend another small fortune to replace that customer. The easiest way to grow your business is not to lose your customers. Once you stop the leakage, it’s often possible to double or triple your growth rate because you’re no longer forced to make up lost ground just to stand still.

4.7.1.1.. Sell and then sell again

So many people do an excellent job of making the initial sale, then drop the ball and get complacent, ignoring the customer, while they chase more business. Your selling has actually only just begun when someone makes that initial purchase decision because virtually everyone is susceptible to buyer's remorse. To lock in that sale, and all of the referrals and repeat business that will flow from it, you need to strike while the iron is hot to allay your customers' fears and demonstrate by your actions that you really care. You should thank them and remind them again why they've made the right decision to deal with you … and put a system in place to sell to them again, and again, constantly proving that they made the right decision.

4.7.1.2.. Bring back the "lost sheep"

There's little point in dedicating massive resources to generating new customers when 25-60% of your dormant customers will be receptive to your attempts to regenerate their business if you approach them the right way, with the right offer. Reactivating customers who already know you and your product is one of the easiest, quickest ways to increase your revenues. Re-contacting and reminding them of your existence, finding out why they're no longer buying, overcoming their objections and demonstrating that you still value and respect them will usually result in a tremendous bounty of sales and drastically increased revenues in a matter of days … and will lead to some of your best and most loyal customers.

4.7.1.3.. Frequent Communications Calendar

Avoid losing your customers by building relationships and keeping in touch using a rolling calendar of communications. This is a programmed sequence of letters, events, phone calls, "thank you's", special offers, follow-ups, magic moments, and cards or notes with a personal touch etc. that occur constantly and automatically at defined points in the pre-sales, sales and post-sales process. People not only respond to this positively, they really appreciate it because they feel valued and important. It acknowledges them, keeps them informed, offsets post-purchase doubts, reinforces the reason they're doing business with you and makes them feel part of your business so that they want to come back again and again.

4.7.1.4.. Extraordinary Customer Service

The never-ending pursuit of excellence to keep customers so satisfied that they tell others how well they were treated when doing business with you. Moving the product or service you deliver into the realm of the extraordinary by delivering higher than expected levels of service to each and every customer. Key facets include: dedication to customer satisfaction by every employee; providing immediate response; no buck passing; going above and beyond the call of duty; consistent on-time delivery; delivering what you promise before AND after the sale; a zero-defects and error-free-delivery process and recruiting outstanding people to deliver your customer service. Extraordinary service builds fortunes in repeat customers, whereas poor service will drive your customers to your competition.

4.7.1.5.. Courtesy system

A powerful system that improves the interpersonal skills of your team and changes the spirit of your organisation. It involves speaking to colleagues politely and pleasantly, without sarcasm or parody, and treating them at least as well as you would want them to treat your customers. This will help your team to feel worthwhile and important, which makes for pleasant social contacts at work. It also motivates them to provide extraordinary service, encourages them to be consistently pleasant in all of their dealings and to relate to customers in a warm, human and natural manner. This results in better, warmer, stronger, more trusting relationships and longer term bonds with your customers.

4.7.1.5.. Product or service integrity

Long-term success and customer retention belongs to those who do not take ethical shortcuts. There must always be total consistency between what you say and do and what your customers experience. The design, build quality, reliability and serviceability of your product or service must be of the standard your customers want, need and expect. Service integrity is also demonstrated by the way you handle the small things, as well as the large. Customers will be attracted to you if you are open and honest with them, care for them, take a genuine interest in them, don't let them down and practice what you preach … and they will avoid you if you don't.

4.7.1.6.. Measure lifetime value

There's a vast difference between the one-off profit you might make on an average sale, which ignores the bigger picture, and the total aggregate profit your average customer represents over the lifetime of their business relationship with you. Once you recognise how much combined profit a customer represents to your business when they purchase from you again and again, over the months, years or decades, you'll realise the critical importance of taking good care of your customers. And because you'll understand just how much time, effort and expense you can afford to invest in retaining that customer, you'll be in control of your marketing expenditure.

4.7.1.7.. A complaint is a gift

96 percent of dissatisfied customers don't complain. They just walk away, and you'll never know why. That's because they often don't know how to complain, or can't be bothered, or are too frightened, or don't believe it'll make any difference. Whilst they may not tell you what's wrong, they will certainly tell plenty of others. A system for unearthing complaints can therefore be the lifeblood of your business, because customers who complain are giving you a gift, they're still talking to you, they're giving you another opportunity to return them to a state of satisfaction and delight them and the manner in which you respond gives you another chance to show what you're made of and create even greater customer loyalty.

Other customer retention strategies include:

1. Blogs
2. CRM Systems
3. Loyalty Programs
4. Magic Moments
5. Overcome Buyers Remorse
6. Personal Touches
7. Premiums and Gifts
8. Questionnaires and Surveys
9. Regular Reviews
10. Social Media
11. Welcome Book

4.8.Customer Defection

Why do customers defect?

The reality is that many businesses lose a significant number of customers of their customer base every single year and either don‘t know who these customers are, why they are leaving or spending less.

4.8.1.Why are customers lost?

Price – while it may be important in attracting new customers it would seem that it is a minor issue in developing loyalty and retaining customers. Most of the research on price puts it as only relatively important as it accounts for only about 15% of the reason why customers switch.

Physical factors – Such physical factors as a more convenient location are also ranked quite low, as are competitor action and invention. Marketing and competitor activity and relationship with a competitor are a bout 15%. The competitor products advantages account for further 10% to 15%

The most important and common reasons for customer switching is the indifference and inattention of the business and from the customers point of view the lack of any real reason to stay.

Customer sophistication – customers not only expect and demand more they are also more articulate in saying so. Twenty years of dramatic social change have changed the way most of us select the businesses we use.

Complexity – buying the most simplest product or service can, if the customer wishes be a very complex decision making process. The blurring of differences between brands, products and companies.

Competition – in almost every market in every developed country of the work, competition has increased dramatically in the last ten years. Globalization and advance manufacturing technology have resulted in businesses becoming faster and improving product quality.

Costs – costs play a significant role in understanding the economic trends and changes in recent years. The economic downturn of the early nineties gave birth to the business customer and the personal consumer which showed that markets can go down as well as up. Therefore it is very important to ensure that we get more value for money in purchasing and choosing suppliers.

Here are some of the key reasons why customers switch:

- Too little contact
- Too little individual attention
- Poor quality attention – especially when problems are encountered
- Generally poor service levels and standards

In non-commercial organizations or utility providers where changing suppliers or switching business is more difficult - the four factors mentioned above are at the root of the majority of complaints. It is obvious that any improvement in the above four areas usually reduces the number of customers that are defecting.

4.8.2.Tips for success

There are some important steps that you should take to ensure that your enterprise provides better customer service:

- Customer product – high quality every time preferably above expectations
- High perceived value – attention to detail and added service touches
- Clear benefits
- Reliability
- Customer service – responsive and knowledgeable
- Guarantee/ warranty
- Accessibility
- Complaint resolution – fast response always
- Positive experiences

It might be useful to think of each customer as having certain life cycle stages: **Contact phase**
Goal – to gain a new customer. Contact through marketing, advertising, telemarketing, personal selling, direct mail, promotion and publicity.

4.8.3.Acquisition phase

Goal – to increase customer retention. Collect as much information about the customer as possible. Understand their purchase condition. Offer them post purchase re-assurance. Promote the price value relationship. Establish the foundation for a long term relationship. Know the associated costs.

Retention phase

Goal - to create long term and committed loyal customers. Develop a service philosophy. Increase responsiveness to customers. Identify and close service gaps. Improve the service recovery process.

Loyalty phase

Goal – to extend your customers loyalty. Define loyalty and customer lifetime value and average net worth. Counteract defection rates and patterns. Understand loyalty calculations. Know costs associated with their loyalty. Provide them with accurate customer information.

How to stay close to your customer?

1. Show them that you think of them

2. Tell them what‘s new – it is a good way to stay in touch and make more sales

3. Offer valued customer discounts to important clients – this can take the form of coupons, letters and other sales promotions

4. Compensate customers for lost time or money for faulty products or services.

5. Be personal – keep notes in your customer files of every little detail that you know about the customer – from spouse children‘s names, hobbies etc.

6. Always be honest – nothing undermines your credibility than dishonesty.

7. Accept returns unconditionally – the few dollars that you lose in the short run are more than compensated for by long term value of the customer.

8. Honour your customer‘s privacy.

9. Keep your promises – Never, never make a promise that you cannot deliver.

10. Give feedback on referrals – this is the best way to show your appreciation for the referral.

11. Make your customers famous – if your business has a newsletter ask your customers permission to write about their success.

12. Keep lines of communication to the customer always open.

4.8.4.Customer attrition and retention

Relationship attrition is the number of client who do not renew their relationship per month – this is expressed as a percentage of the total customers at the beginning of the month. This is a key indicator of the relationship management performance of the business and should be reviewed at least monthly.

The measure of relationship retention is an important indicator of how effective your business has been fulfilling the requirements of the customer. In some cases attrition rates can be very high and alarming.

How to keep customers for life:

- Select the right customer through market research

- Know your purpose for being in business

- Move your customers from satisfaction to loyalty by focusing on retention loyalty schemes

- Develop reward programs

- Customize your products and services

- Train and empower your employees in excellent customer service

- Speed up the customer service process

- Know what‘s important for the customer

- Always measure what‘s important to the customer

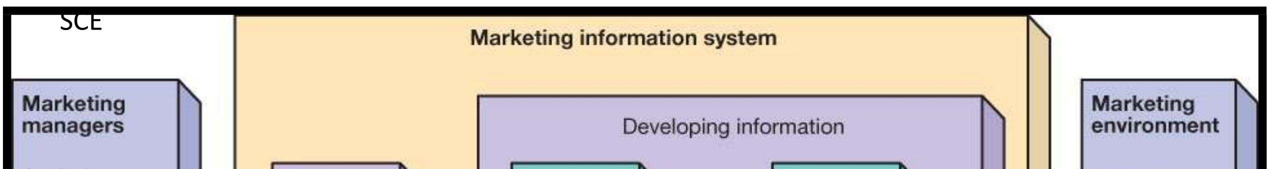
- Introduce customer retention measures
- Use market value pricing concepts

UNIT V

MARKETING RESEARCH & TRENDS IN MARKETING

5.1.Marketing Information System

A Marketing Information System (MIS) consists of people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision makers



A marketing information system (MIS) is a set of procedures and methods designed to generate, analyze, disseminate, and store anticipated marketing decision information on a regular, continuous basis. An information system can be used operationally, managerially, and strategically for several aspects of marketing.

A marketing information system can be used operationally, managerially, and strategically for several aspects of marketing.

We all know that no marketing activity can be carried out in isolation, know when we say it doesn't work in isolation that means there are various forces could be external or internal, controllable or uncontrollable which are working on it. Thus to know which forces are acting on it and its impact the marketer needs to gathering the data through its own resources which in terms of marketing we can say he is trying to gather the market information or form a marketing information system.

This collection of information is a continuous process that gathers data from a variety of sources synthesizes it and sends it to those responsible for meeting the market places needs. The effectiveness of marketing decision is proved if it has a strong information system offering the firm a Competitive advantage. Marketing Information should not be approached in an infrequent manner. If research is done this way, a firm could face these risks:

1. Opportunities may be missed.
2. There may be a lack of awareness of environmental changes and competitors' actions.
3. Data collection may be difficult to analyze over several time periods.
4. Marketing plans and decisions may not be properly reviewed.
5. Data collection may be disjointed.
6. Previous studies may not be stored in an easy to use format.
7. Time lags may result if a new study is required.
8. Actions may be reactionary rather than anticipatory.

The total information needs of the marketing department can be specified and satisfied via a marketing intelligence network, which contains three components.

1. Continuous monitoring is the procedure by which the changing environment is regularly viewed.

2. Marketing research is used to obtain information on particular marketing issues.

3. Data warehousing involves the retention of all types of relevant company records, as well as the information collected through continuous monitoring and marketing research that is kept by the organization.

Depending on a firm's resources and the complexity of its needs, a marketing intelligence network may or may not be fully computerized. The ingredients for a good MIS are consistency, completeness, and orderliness. Marketing plans should be implemented on the basis of information obtained from the intelligence network.

An Marketing Information System offers many advantages:
1. Organized data collection.
2. A broad perspective.
3. The storage of important data.
4. An avoidance of crises.
5. Coordinated marketing plans.
6. Speed in obtaining sufficient information to make decisions.
7. Data amassed and kept over several time periods.
8. The ability to do a cost-benefit analysis.

The disadvantages of a Marketing information system are high initial time and labor costs and the complexity of setting up an information system. Marketers often complain that they lack enough marketing information or the right kind, or have too much of the wrong kind. The solution is an effective **marketing information system**.
The information needed by marketing managers comes from three main sources:
1) Internal company information – E.g. sales, orders, customer profiles, stocks, customer service reports etc
2) Marketing intelligence – This can be information gathered from many sources, including suppliers, customers, and distributors. Marketing intelligence is a catchall term to include all the everyday information about developments in the market that helps a business prepare and adjust its marketing plans. It is possible to buy intelligence information from outside suppliers (e.g. IDC, ORG, MARG) who set up data gathering systems to support commercial intelligence products that can be profitably sold to all players in a market.
(3) Market research – Management cannot always wait for information to arrive in bits and pieces from internal sources. Also, sources of market intelligence cannot always be relied upon to provide relevant or up-to-date information (particularly for smaller or niche market segments). In such circumstances, businesses often need to undertake specific studies to support their marketing strategy – this is market research.

5.1.1.Evidence of inadequate Marketing Information Systems

In addition to not seeing them in companies for which I have studied and consulted, it is obvious from the ads and commercials that most companies run in the media. When is the last time you saw an ad or commercial that has a built in mechanism, or code, for the advertiser to track the success of the ad?

Over many years, my students at USC continuously analyze ads and commercials of Fortune 1000 companies as part of their homework assignments. As they have discovered, too many ads in various media (print, broadcast, and even online) have no such mechanisms.

Further evidence is provided in marketing industry publications that complain about the lack of specific cradle-to-grave information that ties together marketing efforts with sales and profit results. CEOs of major companies complain about the lack of definitive data all the time. The ultimate evidence is that marketing budgets are slashed in economic downturns. If CEOs and other executives believed that marketing worked efficiently and effectively, they would not look at marketing as a cost item but an investment on which they would realize a return.

Downturns should prompt marketing increases not cuts. Furthermore, there are so many articles that talk about CMOs losing credibility. The primary way a CMO can prove his or her worth is to collect the data on the return the company is realizing on its marketing investment. To do that, a comprehensive marketing information system is required.

5.1.2.How to create a comprehensive MIS in a "perfect" world

In a perfect world, an MIS system would be created from the ground up and integrated with all of a business's systems and processes. In such a world, every sale and lead could be traced back to the marketing effort that produced it. Also, every complaint or compliment would be tracked to the source. Skilled customer service personnel would quickly turn all negatives into positives, and skilled marketing communicators would create content that incorporated the testimonials. That's the dream. The reality falls far short. What is a marketer to do?

5.1.3.Creating a "real world" MIS for those that cannot afford to wait

Rather than wait for the dream to materialize, marketers need to improvise. They need a system that enables them to (1) make better decisions and (2) support those decisions with verifiable data. The initial steps of this approach typically involve the following:

1. Look at what systems the company already has in place,
2. Determine what useful marketing information can be gleaned from those systems,
3. Identify the information marketers need that they are not getting from existing systems,
4. Create, or find, additional systems to provide the needed marketing information,
5. Integrate these systems with company wide enterprise systems (if possible and not too costly).

.5.1.4. Start with the accounting system

A good place to start is the business system that every business has – the Accounting system. What information do businesses get from their accounting system that is useful to marketers?

1. Sales
2. Costs/Expenses
3. Profits

If the accounting software is well designed and flexible, this information can be sorted in a variety of ways including by (1) Sales person, (2) Product, (3) SKU (stock-keeping-unit), (4) Division or Region, (5) Distribution channel, (6) Reseller, and (7) Season.

The information obtained from the accounting system is typically enterprise-wide and at a macro level. It usually does not give marketers, or their bosses, the information necessary to (1) determine the effectiveness of the organization's marketing efforts; (2) enable it to react quickly to real-time crises and opportunities; or (3) respond rapidly to competitive threats. Some of the information that marketers need from an effective marketing information system includes the following:

1. Marketing strategy feedback (or how well marketing strategies are working)

2. Complaints
3. Compliments (testimonials)
4. New Product ideas
5. Competition information
6. Marketplace changes

To capture and properly respond to this information, most marketers need to create a Marketing Information System that augments the macro information provided by their accounting systems.

5.1.5.Market Information Form

To minimize paperwork, marketers can collect a lot of the information from the above list on a Market Information Form (or its electronic equivalent). The information collected and how this information is used is summarized below.

1. **Complaints.** Once collected, complaints are distributed to those that can solve the problem quickly. The objective is to turn the negative into a positive and build a stronger relationship with the offended party. The way companies handle complaints can mean the difference between success and failure in an increasingly competitive marketplace.
2. **Compliments.** After obtaining permission, marketers use compliments in their marketing communications. Nothing is more effective than bona fide testimonials from customers. Copies are also given to sales people so they can put them in their sales notebooks and use them to impress prospects and close business.
3. **New Product ideas.** These are fed into the company's new product development system.
4. **Competition Information.** This is given to sales people to put in their sales notebooks so they can use the data to answer objections and close business (with the caveat of not disparaging competitors) and is fed into the company's new product development system so that new products can be designed to beat competitors.
5. **Strategy feedback.** This information is organized by the marketing building blocks (1) corporate image, (2) positioning, (3) product, (4) pricing, (5) distribution, (6) promotion, and (6) marketing information system (yes we need to collect information as to how well our MIS strategies are working). Based on feedback, strategies are adjusted as necessary.

A pad of these forms (or an electronic version) is provided to all the contact points including (1) Receptionists and secretaries that answer the phone, (2) Sales people, (3) Customer service people, (4) Repair people, (5) Personnel that respond to inquiries and complaints online and on social media, and (6) accounts receivable (since they often hear about complaints when they try to collect on late invoices).

5.1.6. Lead Card

Leads are captured on a lead card or its electronic equivalent. Sales people use the lead card to follow up on a prospect's interest with the objective of closing the sale. In addition to notes of all contacts, there are four main pieces of information that should be captured on the lead card.

1. **Identification of the prospect.** If you are selling to a business, most of the information you need is on your contact's business card. For additional information you need, your lead card should be designed so you can add it with minimal effort.
2. **Product interest.** The products you typically sell should be pre-listed on the lead card so sales people can quickly check them off.

3. **Degree of interest.** This is your sales person's guestimate of how likely the prospect is to buy your product in the current period, which is usually this month. Because the degree of interest is also called “buying temperature” the metaphor for degree of interest that is often is used is Hot for the most interested leads, Warm for the next most interested leads, and Cool for the least interested. The “Hot” leads should automatically update another MIS report called the Hot List.
4. **Lead source**. All promotion that you do should have a unique code so that when the lead is captured, you know what marketing activity generated the lead. This lead source should automatically update another MIS report called the Promotion Effectiveness report.

In addition to helping sales people follow up on leads and close business, smart marketers use lead card information for other Marketing Information System purposes, such as the Hot List and Promotion Effectiveness Report described below.

5.1.7.Hot List

An MIS report called the Hot List contains the following information on “Hot” leads:

1. **Prospect name.** This could be a business or individual.
2. **Decision makers.** This is so the sales person does not waste time talking with the wrong person.
3. **Product or project proposed.** This is what the prospect wants.
4. **Proposal date.** This is the date the product proposal and estimate of the cost is given to the prospect.
5. **Dollar-amount proposed.** This is the price of the product proposed.
6. **Percent chance of closing in the current period.** To qualify for the Hot List, a Hot lead should have at least a 25% chance of closing in the current period (each company should decide their own minimum threshold for Hot).
7. **Expected Value** (5 multiplied by 6). If the dollar amount proposed is $10,000 and the % chance of closing is “guestimated” to be 50%, the expected value would be $5,000.
8. **Objections.** This lists the objections that are keeping the prospect from buying.

Sales managers use the Hot List in two ways.

1. **Help close sales.** The sales manager helps sales people to close Hot leads by coaching them on how best to answer the Objections in column 8 of the Hot List.
2. **Dynamic sales forecast.** The sales manager helps to insure that the sum of Expected Values equals, or exceeds, each sales person’s quota for the month. If the expected values are lower than a sales person’s quota, the sales manager can encourage the sales person do whatever is necessary to get more Hot leads on the Hot List so that the sum of Expected Values equals or exceeds the quota. The sales quotas of all the sales people should sum to the “measurable goal” of the Marketing Plan.

5.1.8.Promotion Effectiveness Report

As each sales person captures the promotion source for each lead on the Lead Card, the information automatically flows onto his or her Promotion Effectiveness Report. Every time a sales person gives a presentation or makes a sale from a lead, that information is recorded on the Promotion Effectiveness Report. The MIS system automatically adds up the total number of the leads, presentations, and sales company-wide for each promotion source.

When compared to the costs of that promotion source, the marketing department can calculate the promotion effectiveness, or ROI, of each promotion. Since totals for leads, presentations, and sales are available in the MIS by sales person, the sales manager can automatically compute the batting average of each sales person and determine the number of leads and presentations each one needs to make his or her sales quota. In this way, the sales manager and the company marketers systematically work together to insure that (1) plan goals are met and (2) the money invested in promotion is not wasted (the ads and promotions that are effective will be repeated and the ones that don't will be discontinued).

5.1.9.Market Research

The systems above (Market Information Form, Lead Card, Hot List and Promotion Effectiveness Report) typically capture information in real time and provide a lot of great information that help the marketing function do a more effective job and prove it to the CEO. Even so, this is not enough. There are still holes in the information marketers need. In an effort to plug these holes, there is one big missing piece – Market Research. There are two big categories of Market Research – Secondary and Primary.

5.1.10.Secondary Research

Secondary research is simply research done by others. Perhaps the greatest invention for secondary research is the search engine. Marketers can simply type in search terms in a search window and browse the Internet for any data related to those search terms. Furthermore, marketers can set up "alerts." That is, search terms can be entered into a search engine so that the search engine's crawlers will continually search for anything that contains those search terms and send you an email when it finds them. There are so many other sites, which marketers frequent, that provide a wealth of information. Just a few examples include: Media Post, Marketing Sherpa, Brand Channel, Hoovers, the CIA World Factbook, and ClickZ.

5.1.11 Primary Research

When some big holes remain that still need to be plugged, marketers will often do primary research, which is their own research. Common forms of primary research include surveys, focus groups, experiments, and various forms of crowd sourcing.

Assessing Information Needs

- There must be a balance between what information is wanted and what is cost effective, obtainable and needed
- Too much information can be as harmful as too little
- Information gathering costs can add up quickly

Developing Information

- Information can be obtained from internal company records, marketing intelligence and marketing research
- Data warehouses contain all customer information in a single, accessible source
- Guest history information the most valuable

5.2.Marketing Research

Marketing research is a process that identifies and defines marketing opportunities and problems, monitors and evaluates marketing actions and performance, and communicates the findings and implications to management

5.2.1.Four steps of Marketing Research Process

1. Define the problem and research objectives
2. Develop the research plan
3. Implement the research plan
4. Interpret and report the findings

5.2.1.Research Approaches

- ♦ Observational research
- ♦ Survey research
- ♦ Experimental research

5.2.2.Contact Methods in Research

- ♦ Mail
- ♦ Telephone
- ♦ Personal Interview
  - o Individual (intercept) interview
  - o In-depth interview
- ♦ Internet surveying
  - o Electronic mail
  - o Web page
- ♦ Focus groups

5.2.3.Sampling Plan

- A sample is a segment of the population selected to represent the population as a whole
- To design a sample four decisions must be made:
  - – Who will be surveyed?
  - – How many people will be surveyed?
  - – How will the sample be chosen?
    - Probability or nonprobability samples
  - – When will the survey be given?

5.2.4.Research Instruments

- Primary research instruments
  - – The interview
    - structured e.g questionnaires
    - unstructured
  - – Mechanical devices
  - – Structured models eg. test markets
  - – What are some types of closed-ended and open-ended questions?

5.2.4.Information Analysis

- Analysis of collected information can assist in distinguishing relationships between data
- Help managers answer questions like –what if‖ and –which is best‖

5.2.5.Distributing Information

- Information is not helpful unless it is able to reach the managers clearly and in a timely manner

• Recent developments in information handling have led to a revolution in its distribution

Stage 1: Formulating the Marketing Research Problem

Formulating a problem is the first step in the research process. In many ways, research starts with a problem that management is facing. This problem needs to be understood, the cause diagnosed, and solutions developed.

However, most management problems are not always easy to research. A management problem must first be translated into a research problem. Once you approach the problem from a research angle, you can find a solution. For example, "sales are not growing" is a management problem.

Translated into a research problem, we may examine the expectations and experiences of several groups: potential customers, first-time buyers, and repeat purchasers. We will determine if the lack of sales is due to:

- Poor expectations that lead to a general lack of desire to buy, or
- Poor performance experience and a lack of desire to repurchase.

What then is the difference between a management problem and a research problem? Management problems focus on an action. Do we advertise more? Do we change our advertising message? Do we change an under-performing product configuration?

If so, how?

Research problems, on the other hand, focus on providing the information you need in order to solve the management problem.

Stage 2: Method of Inquiry

The scientific method is the standard pattern for investigation. It provides an opportunity for you to use existing knowledge as a starting point and proceed impartially.

The scientific method includes the following steps:

1. Formulate a problem
2. Develop a hypothesis
3. Make predictions based on the hypothesis
4. Devise a test of the hypothesis
5. Conduct the test
6. Analyze the results

The terminology is similar to the stages in the research process. However, there are subtle differences in the way the steps are performed. For example, the scientific method is objective while the research process can be subjective.

Objective-based research (quantitative research) relies on impartial analysis.

The facts are the priority in objective research. On the other hand, subjective-based research (qualitative research) emphasizes personal judgment as you collect and analyze data.

Stage 3: Research Method

In addition to selecting a method of inquiry (objective or subjective), you must select a research method.

There are two primary methodologies that can be used to answer any research question: experimental research and non-experimental research.

Experimental research gives you the advantage of controlling extraneous variables and manipulating one or more variables that influences the process being implemented. Non-experimental research allows observation but not intervention.

You simply observe and report on your findings.

5.2.6.Defining the Problem and Research Objectives

- ♦ Exploratory research – gather preliminary information to help define the problem and suggest hypotheses
- ♦ Descriptive research – describe the size and composition of the market
- ♦ Causal research – tests hypotheses about cause and effect relationships

Developing the Research Plan

- ♦ Determining Specific Information Needs – translate research objectives into specific information needs
- ♦ Gathering Secondary Information –collect information that is already in existence
- ♦ Planning Primary Data Collection – information being collected for the specific purpose at hand

Stage 4: Research Design

The research design is a plan or framework for conducting the study and collecting data. It is defined as the specific methods and procedures you use to acquire the information you need.

Stage 5: Data Collection Techniques

Your research design will develop as you select techniques to use. There are many ways to collect data. Two important methods to consider are interviews and observation. Interviews require you to ask questions and receive responses.

Common modes of research communication include interviews conducted face-to-face, by mail, by telephone, by email, or over the Internet. This broad category of research techniques is known as survey research.

These techniques are used in both non-experimental research and experimental research.

Another way to collect data is by observation. Observing a person's or company's past or present behavior can predict future purchasing decisions. Data collection techniques for past behavior can include analyzing company records and reviewing studies published by external sources.

In order to analyze information from interview or observation techniques, you must record your results. Because the recorded results are vital, measurement and development are closely linked to which data collection techniques you decide on.

The way you record the data changes depends on which method you use.

Stage 6: Sample Design

Your **marketing research** project will rarely examine an entire population. It's more practical to use a sample—a smaller but accurate representation of the greater population. In order to design your sample, you must find answers to these questions:

1. From which base population is the sample to be selected?
2. What is the method (process) for sample selection?
3. What is the size of the sample?

Once you've established who the relevant population is (completed in the problem formulation stage), you have a base for your sample. This will allow you to make inferences about a larger population. There are two methods of selecting a sample from a population: probability or non-probability sampling.

The probability method relies on a random sampling of everyone within the larger population.

Non- probability is based in part on the judgment of the investigator, and often employs convenience samples, or by other sampling methods that do not rely on probability.

The final stage of the sample design involves determining the appropriate sample size. This important step involves cost and accuracy decisions. Larger samples generally reduce sampling error and increase accuracy, but also increase costs.

Stage 7: Data Collection

Once you've established the first six stages, you can move on to data collection.

Depending on the mode of data collection, this part of the process can require large amounts of personnel and a significant portion of your budget. Personal (face-to-face) and telephone interviews may require you to use a data collection agency (field service).

Internet surveys require fewer personnel, are lower cost, and can be completed in days rather than weeks or months.

Regardless of the mode of data collection, the data collection process introduces another essential element to your research project: the importance of clear and constant communication.

Stage 8: Analysis and Interpretation

In order for data to be useful, you must analyze it.

Analysis techniques vary and their effectiveness depends on the types of information you are collecting, and the type of measurements you are using. Because they are dependent on the data collection, analysis techniques should be decided before this step.

Stage 9: The Marketing Research Report

The **marketing research process** culminates with the research report.

This report will include all of your information, including an accurate description of your research process, the results, conclusions, and recommended courses of action. The report should provide all the information the decision maker needs to understand the project.

It should also be written in language that is easy to understand. It's important to find a balance between completeness and conciseness. You don't want to leave any information out; however, you can't let the information get so technical that it overwhelms the reading audience.

One approach to resolving this conflict is to prepare two reports: the technical report and the summary report. The technical report discusses the methods and the underlying assumptions. In this document, you discuss the detailed findings of the research project.

The summary report, as its name implies, summarizes the research process and presents the findings and conclusions as simply as possible.

Another way to keep your findings clear is to prepare several different representations of your findings. PowerPoint presentations, graphs, and face-to-face reports are all common methods for presenting your information.

Along with the written report for reference, these alternative presentations will allow the decision maker to understand all aspects of the project.

5.2.7.APPLICATIONS OF MARKET RESEARCH

5.2.7.1.Pricing Research

We provide pricing strategy consulting backed by strong pricing research capabilities. Our perspective is broad when dealing with pricing research and pricing strategy decisions, and focus on finding for your business optimum price-product-feature configurations in the context of market positioning opportunities. We employ both qualitative and quantitative pricing research tools.

5.2.7.2Product Research

Product market research serves several goals: new product design and market validation research, or assessing existing product strength and line extension potential. We follow the product development cycle integrating research with creative positioning and technical product design efforts.

5.2.7.3.Concept Testing

Concept testing research evaluates advertising concepts, ad theme concepts and appeals, new product concepts, pricing, brand concepts, brand names, and positioning strategy concepts. We select techniques -- qualitative and quantitative -- to both develop concepts, refine, and screen to assess market potential.

5.2.7.4.Positioning Research

We offer experienced market positioning and creative branding research capabilities to define and go-to-market with a high-impact positioning strategy. First, it requires understanding the market positioning concept, your current and potential markets, and the process needed to generate brand name impact.

5.2.7.5.Marketing Due Diligence

We support venture investment firms with primary and secondary marketing research in a stand alone or component marketing due diligence study.

5.2.7.6.Customer Satisfaction Research

The buzz and interest around customer satisfaction research sometimes deflates if the research design does not lead to actionable results. Also, customer expectations generally rise overtime as advances in technology in many categories boost the consumer consciousness of what to expect. We build into our customer satisfaction study design "action indicators" to point to immediate use of customer satisfaction results.

5.2.7.8.Branding Research

Branding decisions drive branding marketing research strategy. Corporate, product and advertising brand development is a mix of creativity and marketing information to uncover brand positioning opportunities in cluttered market spaces.

5.2.7.9.Brand Equity Research

Brand equity research measures the breadth and depth of brand power in your target markets. We use both standard and custom tailored brand equity survey measurements. A key to research design is the goal of a brand equity measurement study.

5.2.7.10.Advertising Research

Advertising research design is determined by specific advertising goals and the stage of ad development, or campaign. We use a broad range of advertising research techniques including ad recall surveys, message and theme salience and impact measures, buying motivation and association with the ad message or positioning theme. We employ both qualitative and quantitative pricing research tools.

Market segmentation research maintains focus and delivers needed marketing information in today's moving economy where new markets and new product categories emerge and traditional market segments fade away. Market segmentation research is a way to keep 'your eye on the ball.' Often we start the market segmentation process with qualitative research to the range and breadth of customers. Then we follow with quantitative research using appropriate multivariate analysis (cluster, k-means factor, etc) to define meaningful segments.

Data mining -- finding gems of insight from sophisticated or basic analysis of your internal customer and sales and margin trend data -- is a key first step in product and brand analysis. Simply put, a marketing analysis data mining effort searches for meaning and insight among the stacks of sales data and marketing data already within a sales and marketing organization. Through these tools we can better target your best customers, find which advertising and promotion methods are most efficient and effective.

5.2.7.11.Market Analysis

Market Analysis: Concepts and Techniques

Market analysis contributes to all the steps in a business from the initial determination of customer needs to final delivery of a product or service. It can be divided into the following general functions: Market research, market strategy development, the identification of specific markets to serve, and use of market analysis in decision making.

Market research entails identifying potential customers and their needs. It strives to develop a thorough understanding of the industries in which the potential customers operate, the regulatory environment, and competing products and services. Market research involves systematic gathering, recording, and analysis of data relating to the marketing of goods and services. It employs a variety of different types of activities, such as analysis of industry data, demographic data, competitor activities, and customer surveys. Marketing research is an organized way of finding objective answers to questions every business must answer to succeed, such as:

- Who are my customers and potential customers?
- Where are they located?
- Can and will they buy?
- Am I offering the kinds, quantities and quality of goods or services they want?
- Are my prices consistent with buyers' perceptions of the product's value?
- Are my promotional programs working?
- What do customers think of my technology and business?
- Who are my competitors?
- How does my technology and business compare with alternative technologies and competitors?

Marketing research deals with people and their constantly changing preferences and actions, which can be affected by numerous influences. Because many of these influences cannot be quantified, market research is not an exact science. Marketing research does, however, seek to gather facts and opinions in an orderly, objective way; to find out how things are, regardless of any preconceived notions; and to find out what people want to buy, not just what you want to sell them.

5.2.7.11.Marketing Strategy Development

A marketing strategy includes the identification of customer groups which the business can serve better than its competitors and a plan for tailoring its product offerings, prices, distribution, promotional efforts and services towards that particular market segment. Ideally, the strategy should try to address customer needs which are not being met in the market place and which have the potential for enough business to justify development costs. A good strategy will recognize the resource limitations of a particular small business or business unit within a large company. Thus, a business must use the market information and its own capabilities to focus on the market segments it can serve best.

5.2.7.12.Selection of Specific Markets to Serve

Given the limitations of a technology and a business, marketing efforts usually need to concentrate on specific market segments. For example, the following are some ways to segment a market:

1. Geographical segmentation. Specializing in serving the needs of customers in a particular geographical area (e.g., a city, state, or region close to home, areas that correspond to a government authority such as an EPA region or Corps of Engineers district).
2. Customer segmentation. Identifying and promoting to those groups of people most likely to buy the product. In other words, selling to the heavy users before trying to develop new users. In the market for remediation technologies, customer segmentation can take a number of forms.
    - Type of site (for example, Superfund, RCRA, UST)
    - Stage of process (for example, site investigation, remedy design, etc.)
    - Ownership (for example, DOD, DOE, Private, other federal, local government)
    - Type of industry causing pollution (chemicals, equipment maintenance, wood preserving).
    - Regulatory authority (CERCLA, RCRA, state)
    - Type of contamination and media
    - Prime contracts versus subcontracts
3. Product or Service. Linking marketing efforts to related existing products and services, such as site investigations or remedy design.

5.2.7.13.Integration of Market Decisions

The efforts in market research, strategy development and segmentation all are combined to aid in developing approaches to the following four key decision areas in a marketing program:

Products and Services. Based on the above considerations, describe the specific products and services and intended customers.

Promotion. Specify the type of advertising, sales, and other promotional activities.

Pricing. Determine price levels and pricing policies (including credit policy). Consider the effect of discounting policies, volume discounts, special strategies for government contracts, total cost to the customer, and the cost of competing and complimentary products.

Distribution. Decide whether to distribute products or services through subcontractors, prime contractors, or your own personnel.

Product advertising

Product advertising is the art of building and maintaining product awareness with potential buyers. A good advertising program educates potential customers on why they need the product, how it is used and the benefits derived from its use. A successful program also tells the consumer how the product is better than similar offerings by competitors.

5.3.Advertising

Advertising is an effective way of promoting your products and services to your target audience and is usually a paid form of promotion. When you advertise you tell prospective customers who you are, where you are and what you can do for them.

Good advertising should:

- build the image of your business
- explain the benefits of your products and services
- increase awareness of new products and services before, when and after they are launched
- generate interest from your target market, as well as a new audience of prospective customers
- encourage customers to ask for information about your business and provide options for how they can contact you
- increase the demand from customers and increase your sales.

Understanding the wide range of advertising strategies available will allow you to use the one that is best for your business. You may find that using a combination of strategies gives you the strongest results.

5.3.1.Types of advertising

1. Advertising
2. Create your unique selling proposition
3. Types of advertising
4. Planning your advertising
5. Tips for effective advertising
6. Monitoring the success of your advertising
7. Advertising regulations

A successful advertising campaign will spread the word about your products and services, attract customers and generate sales. Whether you are trying to encourage new customers to buy an existing product or launching a new service, there are many options to choose from.

The most suitable advertising option for your business will depend on your target audience and what is the most cost effective way to reach as many of them as possible, as many times as possible. The advertising option chosen should also reflect the right environment for your product or service. For example, if you know that your target market reads a particular magazine, you should advertise in that publication.

The following list is an introduction to advertising tactics that you could use. Remember, you can always be creative in your advertising to get noticed (within advertising regulations).

5.3.2.Newspaper

Newspaper advertising can promote your business to a wide range of customers. Display advertisements are placed throughout the paper, while classified listings are under subject headings in a specific section.

You may find that a combination of advertising in your state/metropolitan newspaper and your local paper gives you the best results.

5.3.4.Magazine

Advertising in a specialist magazine can reach your target market quickly and easily. Readers (your potential customers) tend to read magazines at their leisure and keep them for longer, giving your advertisement multiple chances to attract attention. Magazines generally serve consumers (by interest group e.g. women) and trade (industry/business type e.g. hospitality).

If your products need to be displayed in colour then glossy advertisements in a magazine can be ideal - although they are generally more expensive than newspaper advertisements.

Magazines do not usually serve a small area such as a specific town. If your target market is only a small percentage of the circulation, then advertising may not be cost-effective.

5.3.5.Radio

Advertising on the radio is a great way to reach your target audience. If your target market listens to a particular station, then regular advertising can attract new customers.

However, sound has its limitations. Listeners can find it difficult to remember what they have heard and sometimes the impact of radio advertising is lost. The best way to overcome this is to repeat your message regularly - which increases your costs significantly. If you cannot afford to play your advertisement regularly, you may find that radio advertising does not generate strong results.

5.3.6.Television

Television has an extensive reach and advertising this way is ideal if you cater to a large market in a large area. Television advertisements have the advantage of sight, sound, movement and colour to persuade a customer to buy from you. They are particularly useful if you need to demonstrate how your product or service works.

Producing a television advertisement and then buying an advertising slot is generally expensive. Advertising is sold in units (e.g. 20, 30, 60 seconds) and costs vary according to:

- the time slot
- the television programme
- whether it is metro or regional
- if you want to buy spots on multiple networks.

5.3.7.Directories

Directories list businesses by name or category (e.g. Yellow Pages phone directories). Customers who refer to directories have often already made up their mind to buy - they just need to decide who to buy from.

The major advantage of online directories over print directories is that if you change your business name, address or telephone number, you can easily keep it up to date in the directory. You can also add new services or information about your business.

If your target market uses print and online directories, it may be useful to advertise in both, although print directories are being used less.

5.3.8.Outdoor and transit

There are many ways to advertise outside and on-the-go. Outdoor billboards can be signs by the road or hoardings at sport stadiums. Transit advertising can be posters on buses, taxis and bicycles. Large billboards can get your message across with a big impact. If the same customers pass your billboard every day as they travel to work, you are likely to be the first business they think of when they want to buy a product.

Even the largest of billboards usually contain a limited amount of information; otherwise, they can be difficult to read. Including your website address makes it easy for customers to follow up and find out more about your business. Outdoor advertising can be very expensive especially for prime locations and supersite billboards.

5.3.9.Direct mail, catalogues and leaflets

Direct mail means writing to customers directly. The more precise your mailing list or distribution area, the more of your target market you will reach. A direct mail approach is more personal, as you can select your audience and plan the timing to suit your business. A cost effective form of direct mail is to send your newsletters or flyers electronically to an email database.
Catalogues, brochures and leaflets can also be distributed to your target area. Including a brochure with your direct mail is a great way to give an interested customer more information about your products and services.
Online

Being on the internet can be a cost-effective way to attract new customers. You can reach a global audience at a low cost. Many customers research businesses online before deciding whom to buy from.

A well-designed website can entice customers to buy from you. There are a number of ways you can promote your business online via paid advertising or to improve your search engine rankings.

5.3.10Tips for effective advertising

What you say and how you say it in words, sounds or pictures can be vital to your advertising success. Aim for your advertising to:

- be noticed
- be understood
- stimulate action (such as an enquiry or visit to your store)
- achieve an outcome (such as a sale).

The following tips will help you to meet these goals.

General tips

- Create a distinctive and recognisable format for your advertisements. Be consistent in using this style.
- Feature your branding prominently.
- Ensure that your advertisement is well organised and easy to follow.
- Always include relevant information your potential customers may want to know. E.g. opening hours or your shop adddress.
- Make it easy for customers to contact you - do you want them to visit your website, phone or email you, or come into your store?
- If you include your prices, make sure they are easy to find and remember.
- Ensure that all contact details, product information and prices are up to date and accurate.
- Use simple and direct language with everyday words that are easy to understand.
- Tell your customers how you can help them with their needs or wants.
- Make your unique selling proposition clear.
- Tailor your message, style and format to your target audience.

Newspapers, magazines, directories, direct mail and billboards

- Use a headline with powerful wording or a memorable graphic to capture attention.
- Make sure graphics are high quality so they look good both in colour and black and white.
- Do not include too much text, as most readers will only scan your advertisement for the key information.

Television

- Show the idea on the screen and back it up with more information (e.g. a print advertisement or brochure delivered directly to the viewer's home).
- Don't try to cram every product onto the screen - aim for an advertisement that is memorable, not overwhelming.
- Use professional actors (or acting students) or voice over artists instead of family and friends.

Radio

- Keep it simple and don't try to communicate too many ideas in a 30-second spot - one central idea is more likely to be remembered.
- Repeat the benefits of a product, the price and the name of your business so listeners will not forget it.
- Use a professional voice-over artist (or student) rather than trying to do it yourself.

Online

- Think about what will work best online - don't just take a print advertisement and upload it. You may just want a headline and a hyperlink to your website.
- As reading onscreen is not as easy as in print, make sure your advertisement is clean and uncluttered.
- Use the language of your target audience to keep them engaged.

5.3.11TYPES OF ADVERTISING

The advertising objectives largely determine which of two basic types of advertising to use; product or institutional.

Institutional advertising tries to develop goodwill for a company rather than to sell a specific product. Its objective is to improve the advertiser's image, reputation, and relations with the various groups the company deals with. This includes not only end-users and distributors, but also suppliers, shareholders, employees, and the general public. Institutional advertising focuses on the name and prestige of a company. Institutional advertising is sometimes used by large companies with several divisions to link the divisions in customers' minds. It is also used to link a company's other products to the reputation of a market-leading product.

Product advertising tries to sell a product. It may be aimed at the end user or at potential representatives and distributors. Product advertising may be further classified as pioneering, competitive, and reminder advertising.

Pioneering advertising tries to develop primary demand, that is demand for a product category rather than a specific brand. It's needed in the early stages of the adoption process to inform potential customers about a new product. The first company to introduce a new technology to its industry doesn't have to worry about a competitive product since they alone have the technology. They have to sell the industry on the advantages of the new technology itself. Pioneering advertising is usually done in the early stage of the product life cycle by the company which introduces an innovation.

Competitive advertising tries to develop selective demand; demand for a specific manufacturer's product rather than a product category. An innovating company is usually forced into competitive advertising as the product life cycle moves along. After pioneering technology is accepted and most manufacturers are supplying competing products, the innovator is forced to sell the advantages of his specific design over that of the competition. This is usually the situation in a mature market.

Reminder advertising tries to keep the product's name before the public. It is useful when the product has achieved market domination. Here, the advertiser may use "soft-sell" ads that just mention or show the name as a reminder. Reminder advertising may be thought of as maintenance for a product with the leadership position in the market.

Promotion mix

Marketers have at their disposal four major methods of promotion. Taken together these comprise the promotion mix. In this section a basic definition of each method is offered while in the next section a comparison of each method based on the characteristics of promotion is presented.

Advertising

Involves non-personal, mostly paid promotions often using mass media outlets to deliver the marketer's message. While historically advertising has involved one-way communication with little feedback opportunity for the customer experiencing the advertisement, the advent of computer technology and, in particular, the Internet has increased the options that allow customers to provide quick feedback.

Sales Promotion

Involves the use of special short-term techniques, often in the form of incentives, to encourage customers to respond or undertake some activity. For instance, the use of retail coupons with expiration dates requires customers to act while the incentive is still valid.

Public Relations

Also referred to as publicity, this type of promotion uses third-party sources, and particularly the news media, to offer a favorable mention of the marketer's company or product without direct payment to the publisher of the information.

Personal Selling

As the name implies, this form of promotion involves personal contact between company representatives and those who have a role in purchase decisions (e.g., make the decision, such as consumers, or have an influence on a decision, such as members of a company buying center). Often this occurs face-to-face or via telephone, though newer technologies allow this to occur online via video conferencing or text chat.

Promotional Mix

Promotion is the communications part of marketing. It is the way we tell the world our product. Promotion provides consumers with information and knowledge in an informative and persuasive manner. This, we hope, will sooner or later result in sales of our services or products. The information and knowledge can be communicated using one or more of the five promotional techniques - advertising, personal selling, sales promotion, merchandising, and public relations.

Goals of Promotion

The ultimate purpose of promotion is to modify behavior through communication. This requires helping customers at the various buying process stages so they eventually purchase or repurchase a particular service. Promotion achieves this by informing, persuading, and reminding - the three principal goals of promotion. Promotions usually fit into one of these categories; they are either informative, persuasive, or reminders.

Informative promotions work best with new services or products (early product-life-cycle stages) and with customers in early buying process stages (need awareness and information search). These types of promotions tend to communicate data or ideas about the key features of services.

Persuasive promotions are harder. They are aimed at getting customers to select one particular company or "brand" over those of competitors, and to actually make the purchase. Advertisements that compare one company's services to another, and most sales promotions, fit into this category. Persuasive promotions work best in intermediate/late stages of product life cycle (growth and maturity) and the buying process (evaluation of alternatives and purchase).

Reminder promotions are used to push customers' memories about advertising they may have seen, and to stimulate repurchases. They are most effective in the late product-life-cycle (maturity and decline) and buying process stages (postpurchase evaluation).

5.3.12.The five communications mix elements are;

1. Advertising
2. Personal selling
3. Sales promotion
4. Merchandising
5. Public relations (PR)

Advertising
Advertising is any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor. The three key words in this definition are "paid", "nonpersonal" and "identified sponsor." Paid - hospitality and travel organizations always have to pay for advertising, either in money or in some form of barter (e.g., free meals from a restaurant in exchange for a radio ad). Nonpersonal - neither the sponsors nor their representatives are physically present to give the message to customers. Identified sponsor - the paying organization is clearly identified in the advertisement.

The media advertising is mainly two types as printed media advertising (newspapers, magazines, brochures, direct mail and billboards), and broadcast media advertising (radio and television). Direct mail which is used extensively by tour operators, is postal communication by an identified sponsor. And this promotional tool is classified as direct marketing.

Because tourism is an intangible product, a great deal of promotion includes the production of printed communications such as brochures or sales leaflets. The design, organization and printing of tourism brochures is one of the most important promotion functions. Printed communications are often costly. In fact, the printing and distribution costs of brochures comprise the largest part of most marketing budgets within the tourism industry.

Advertising is used to achieve a whole range of objectives which may include changing attitudes or building image as well as achieving sales. However, advertising messages do not always have to be aimed directly at creating a sale. Sometimes it's the sponsor's goal simply to convey a positive idea or a favorable image of the organization (often called "institutional" advertising). (Sponsorship is the material or financial support of a specific activity which does not form part of the sponsor company's normal business) For example, IBM has sponsored ads during the Atlanta 96 Olympics.

Advertising is often described as above-the-line promotion (where the media space is paid by the company) with all other forms of promotion (where space is not paid) being termed below-the-line.

Personal Selling
Personal selling involves oral conversations. These are, either by telephone or face-to-face, between salespersons and prospective customers. This sort selling may be used by a non-

profit-making museum as well as by a conference manager of a large hotel. Perosnal selling is very important in the sense that it has the ability to close a sale.

Sales Promotion

Sales promotions are approaches where customers are given a short term incentive (encouragement) to make an immediate purchase. Sales promotion campaigns add value to the product because the incentives does not normally accompany the product. Like advertising, the sponsor is clearly identified and the communication is nonpersonal. Examples include discount coupons, contests (trial), samples and premiums (prize, bonus). Free wine or free accommodation offers are frequently used in sales promotion campaigns for hotel restaurants which need to increase demand at certain periods.

Merchandising (point-of-purchase advertising)

Merchandising, or point-of-purchase “advertising” includes materials used in-house to stimulate sales. These include menus, wine lists, signs, posters, displays, and other point-of-sale promotional items (in-room materials). It is a common practice to categorize merchandising as a sales promotion technique, because it does not include media advertising, personal selling, or public relations. In this course, merchandising is separated form other sales promotion techniques because of its uniqueness and its importance to the industry. Merchandising is important as a means of creating impulse purchase or remind the consumer of what is on offer.

Public Relations (PR)

Public relations includes all the activities that a hospitality and travel organization engages in to maintain or improve its relationship with other organizations and individuals. In other words, public relations try to provide commercially significant news about the product or service in a published medium, or obtaining favorable presentation in a medium that is not paid by the sponsor. Publicity is one public relations technique that involves nonpaid communication of information about an organization’s services.

5.3.13 PROMOTION

Each of the above promotional elements has capacity to achieve a different promotional objective. Personal selling has high potential for achieving communication objectives, however, only a small number of people can be contacted. Therefore advertising is a better method of reaching a high number of people at low cost. Public relations is more credible than advertising, but there is more control over advertising messages and they can be repeated on a regular basis. When it is difficult to raise advertising budgets, public relations is a lower cost alternative, but it is difficult to control the timing and consistency of PR coverage. Sales promotion may produce an initial trial for a product, but this type of promotion can only be used over a short period.

Each part of the promotion mix has its own strengths and weaknesses. While these may include the factors of cost, ability to target different groups, and control, there are other important considerations. On the following figure, they are compared on the basis of the level of awareness of the communication, and its comprehension (understanding, realization), as well as on whether it can build conviction (confidence, certainty) and succeed in creating action.

5.3.14.Factors affecting the promotional mix

Choosing a promotional program for a coming period requires very careful research and planning. The stage of customers' decision processes and product life cycle stages affect the promotional campaign decisions. However, there are some other factors that also affect promotional mix decisions.

Target markets

The effectiveness of the five promotional mix elements varies according to the target market. For example, in promoting its convention/meeting facilities, a lodging property might find that personal selling to key meeting planners is much more effective than advertising. On the other hand, using personal selling to attract individual pleasure travelers would not be feasible.

The geographic location of potential customers also has an impact. Where they are widely dispersed, advertising may be the most efficient and effective way to reach them.

Marketing objectives

The promotional mix selected should flow directly from the objectives for each target market. For example, if the objective is to build awareness by a certain percentage, the emphasis may be placed on media advertising. If, on the other hand, it is to build sales significantly in a short time period, the focus may be put on sales promotion.

Competition and promotional practices

There is a distinct tendency in certain parts of the hospitality and travel industry for most competitive organizations to use the same "lead element" in promotional mixes. Fast-food chains focus on heavy television advertising, hotels and airlines focus on frequent-traveler award programs, and cruise lines put a heavy emphasis on personal selling to travel agents. It is difficult and extremely risky for one competitor to "break from the pack" in this respect.

Promotional budget available

Obviously the funds available for promotion have a direct impact on choosing promotional mix elements. Smaller organizations with more limited budgets usually have to place greater emphasis on lower-cost promotions, including publicity and sales promotions. Larger organizations can better afford to use media advertising and personal selling.

Creating specific promotional messages

When the objectives which promotion is to fulfill have been decided in relation to an identified segment of buyers, the crucial step in the advertising process is to create memorable pictures and words. Creative execution captures attention, expresses the essence of a product in a few words that say it all, and provides key information. In travel and tourism good examples of creative executions are:

"We try harder" (Avis)
"We speak your language" (British Tourist Authority in the USA market)
"I love New York" (New York State)

"The World's favorite airline" (British Airways)
"Only one hotel chain guarantees your room will be right" - "Everything in your Holiday Inn room will be right. Or we will make it right. Or we will refund the cost of your room for that night"

One of the member of an international advertising agency quoted;

... people can't believe you if they don't know what you're saying, and they can't know what you're saying if they don't listen to you, and they won't listen to you if you're not interesting.

And you won't be interesting unless you say things freshly, originally, and imaginatively.

5.4.Consumer Behaviour

Consumer Markets and Consumer Buying Behavior

A. Buying behavior is the decision processes and acts of people involved in buying and using products.

B. Consumer buying behavior refers to the buying behavior of ultimate consumers—those who purchase products for personal use and not for business purposes.

C. Understanding buying behavior requires knowledge of the consumption process and consumers' perceptions of product utility.

II. **Consumer Buying Decision Process**

A. The consumer buying decision process is a five-stage purchase decision process which includes problem recognition, information search, evaluation of alternatives, purchase, and post-purchase evaluation.

1. The actual act of purchase is only one stage in the process and is not the first stage.

2. Not all decision processes, once initiated, lead to an ultimate purchase; the individual may terminate the process at any stage.

3. Not all consumer buying decisions include all five stages.

B. **Problem Recognition**

1. This stage occurs when a buyer becomes aware of a difference between a desired state and an actual condition.

2. Recognition speed can be slow or fast.

3. Individual may never become aware of the problem or need. Marketers may use sales personnel, advertising, and packaging to trigger recognition of needs or problems.

C. **Information Search**

1. After the consumer becomes aware of the problem or need, he or she searches for information about products that will help resolve the problem or satisfy the need.

2. There are two aspects to an information search:

   a) In the internal search, buyers first search their memories for information about products that might solve the problem.

   b) In the external search, buyers seek information from outside sources.

      (1) An external search occurs if buyers cannot retrieve enough information from their memories for a decision.

      (2) Buyers seek information from friends, relatives, public sources, such as government reports or publications, or marketer-dominated sources of information, such as salespeople, advertising, websites, package labeling, and in-store demonstrations and displays. The Internet has become a major information source.

3. Repetition, a technique well known to advertisers, increases consumers' learning. Repetition eventually may cause wear-out, meaning consumers pay less attention to the commercial and respond to it less favorably than they did at first.

D. **Evaluation of Alternatives**

1. A successful information search within a product category yields a consideration set (aka evoked set), which is a group of brands that the buyer views as possible alternatives.

   a) The consumer establishes a set of evaluative criteria, which are objective and subjective characteristics that are important to him or her.

   b) The consumer uses these criteria to rates and ranks brands in the consideration set.

2. Marketers can influence consumers' evaluations by "framing" the alternatives —that is, by the manner in which they describe the alternatives and attributes.

E. **Purchase**

1. Purchase selection is based on the outcome of the evaluation stage and other dimensions.

   a) Product availability, seller choice, and terms of sale may influence the final product selection.

3. The buyer may choose to terminate the buying decision process, in which case no purchase will be made.

F. **Postpurchase Evaluation**

1. After purchase, the buyer begins to evaluate the product to ascertain if the actual performance meets expected levels.

   a) Evaluation is based on many of the same criteria used when evaluating alternatives.

5.5.Retail Research

Introduction:

- ϖ The word retail has its origin in French word retaillier and means "to cut a piece'' or "to break bulk'.

- ϖ **"Retailing is the sale of goods and services to the ultimate consumer for personal, family or household use."**

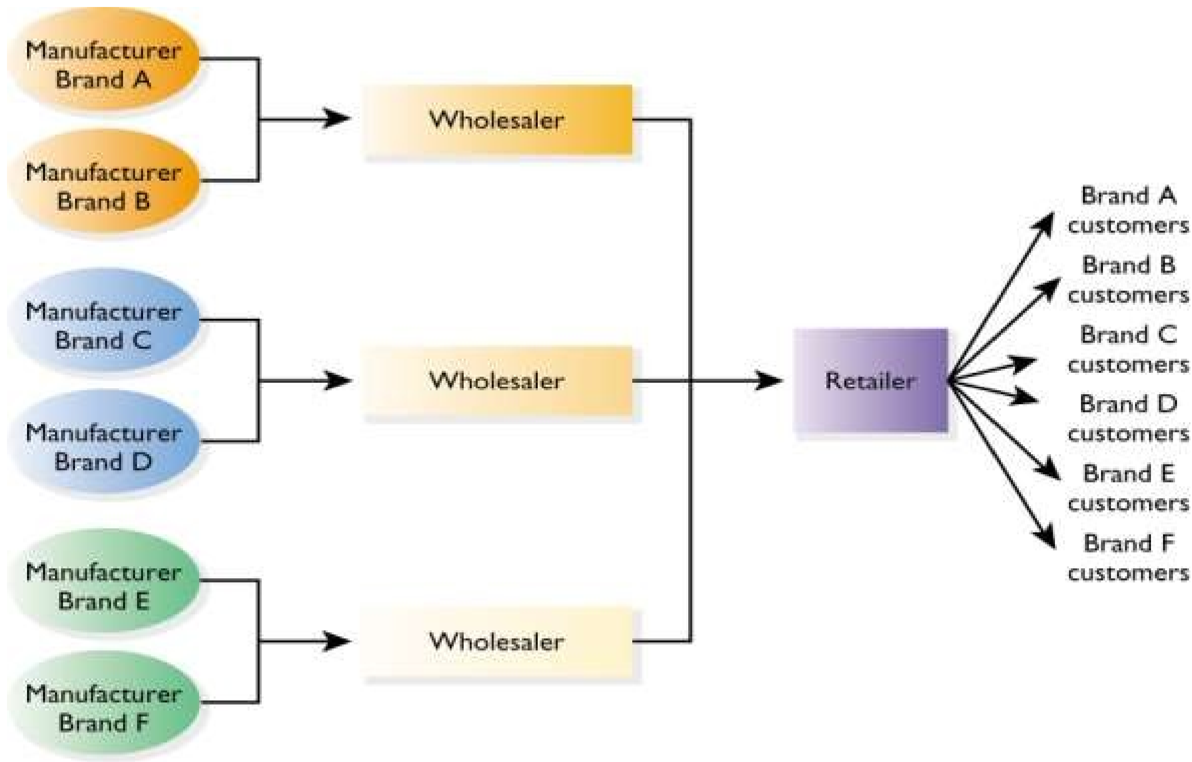
- ϖ **According to Kotler: "Retailing includes all the activities involved in selling goods or services to the final consumers for personal, non business use"**

- ϖ Retailing may be understood as the final step in the distribution of merchandise for consumption by the end consumers.

- ϖ Retailing is responsible for matching final consumer demand with supplies of different marketers.

- ϖ Retailing is high intensity competition industry, The reasons for its popularity lie in its ability to provide easier access to variety of products, freedom of choice and many services to consumers.

- ϖ The Indian retail is dotted by traditionally market place called bazaars or haats comprises of numerous small and large shops, selling different or similar merchandise



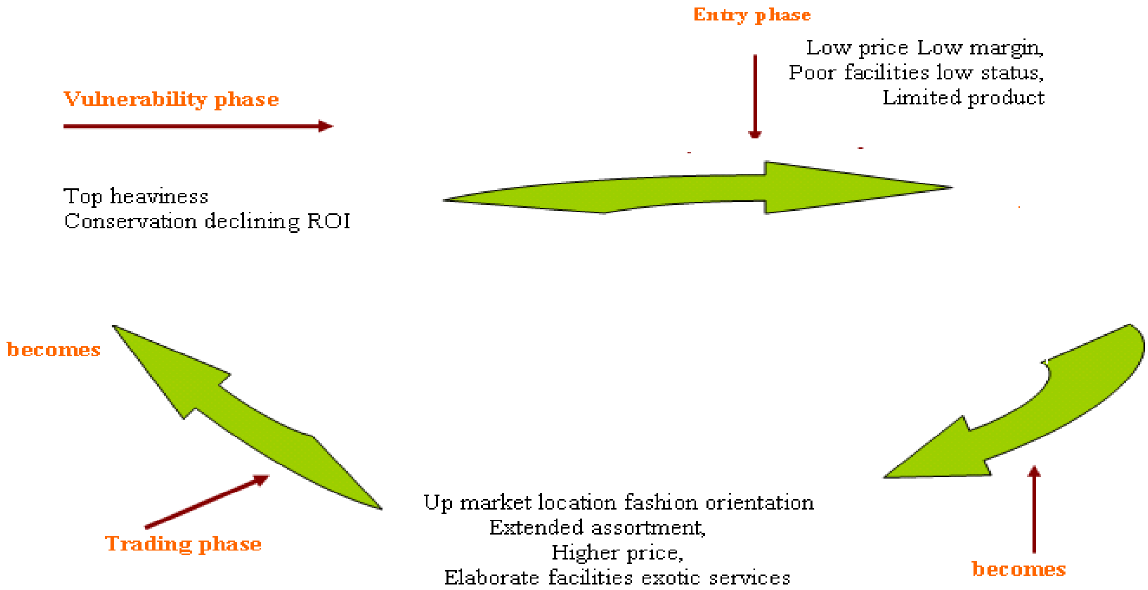
“’Wheel of Retailing”

A better known theory of retailing –wheel of retailing” proposed by Maclcomb McNair says,

1. New retailers often enter the market place with low prices, margins, and status. The low prices are usually the result of some innovative cost-cutting procedures and soon attract competitors.
2. With the passage of time, these businesses strive to broaden their customer base and increase sales. Their operations and facilities increase and become more expensive.
3. They may move to better up market locations, start carrying higher quality products or add services and ultimately emerge as a high cost price service retailer.

4. By this time newer competitors as low price, low margin, low status emerge and these competitors too follow the same evolutionary process.

5 The wheel keeps on turning and department stories, supermarkets, and mass merchandise went through this cycles.



5.5.1.Functions of a retailer

1. **Form:** First is utility regarding the **form** of a product that is acceptable to the customer.

- ♣ The retailer does not supply raw material, but rather offers finished goods and services in a form that the customers want.
- ♣ The retailer performs the function of sorting the goods and providing us with an assortment of product in various categories.

2. **Time:** He cerates **Time** utility by keeping the store open when the consumers prefer to shop.

- ♣ preferable shopping hours.

3. **Place**: By being available at a convenient location, he creates **place** utility.

4. **Ownership**: Finally, when the product is sold, **ownership** utility is created. Apart from these functions retailer also performs like:

5. **Arranging Assortment**: manufacturers usually make one or a variety of products and would like to sell their entire inventory to few buyers to reduce costs. Final consumers, in contrast prefer a large variety of goods and services to choose from and usually buy them in small units.

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I **Amount of Services:**

Amount of services

Self service retailer   Limited service retailer   Full service retailer

Self service retailer:

Customers who are willing to perform their own −locate-compare-select‖ process to

save
money

Ltd service retailer:

Retailer provides more sales assistance because they carry more shopping goods. They fix higher price due to higher operation cost

Full service retailer:

II **Product Line**:

1) **Specialty stores**: A retail stores that carries a narrow product line with a deep asswortment within that line. Ex. Apparel stores, Sporting goods stores, Furniture stores, books stores
2) **Department stores:** A retail organization that carries a wide variety of product lines – typically clothing, home furnishing, and house hold goods: each line is operated as a separate department managed by specialist buyers or merchandisers.
3) **Supermarkers:** A supermarket is a large self service retail store that carries a wide variety of consumer products under one roof , such as complete line of food products , laundry requirement, household maintenance items. Here large, low – cost, low margin, high volume
4) **Convenience stores:** A relatively small store located near residential areas, open long hours 7 days a week, and carries a limited line of high turnover convenience goods at slightly higher price.
5) **Super stores:** A store much larger than a regular supermarket that carries a large assortment of routinely purchased food and nonfood it4ems and offers services such as dry cleaning, post offices, photo finishing, check cashing, bill paying, lunch counters, car cares, and pet care.
6) **Category killer:** Giant specialty store that carriers a very deep assortment of a particular line and is staffed by knowledgeable employees. Ex. Book, Baby gear, toys, home improvement products.

III **Relative Price:**

1) **Discount stores:** these stores are self service, standard general merchandise retailers regularly offering brand name and private brand items at low price, earn lower margins and push for high sales turnover. The characteristics of true discount stores include

- Selling products at discounted price
- Carry standard international , national, or store brand toi build image
- Self service stores to minimize operational costs
- Preferred store locations are low rent areas.

Like best known discount store is Wal-Mart. In India almost all retail stores offer discounts, subhiksha

2) **Off – price retailers:** Retailer that buys at less than regular whole sale

prices and sells at less than retail. Examples are factory outlets, independents and warehouse club

3) **Independent off – price retailers:** Off-price retailer that is either owned and run by entrepreneurs or is a division of a larger retail corporation.

4) **Factory Outlet:** Off-price retailing operation that is owned and operated by a manufacturer and that normally carries the manufacturer‘s surplus, discontinued, or irregular goods.

5) **Warehouse club:** Off-price retailer that sells a limited selection of brand-name grocery items, appliances, clothing, and hodgepodge of other goods at deep discounts to members who pay annual membership fees.

IV **Organisational Approach:**

1) **Chain stores:** Two or more outlets that are owned and controlled in common, have central buying and merchandising, and sell similar lines of merchandise.
2) **Franchise:** A contractual association between a manufacturer, wholesaler, or service organization (a franchiser)and independent business people (franchisees) who buy the right to own and operate one or more units in the franchise system.

5.5.2.Factors Influencing the retail Shoppers

1. **Range of Merchandise**:

- ♣ The range of merchandise is one of the most important reasons for customers to patronize a particular outlet.
- ♣ Initial curiosity about the store draw a consumer to retail store.
- ♣ But convert the customer into buyer and retain them over a period of time is dependent on the quality and the range of merchandise offered by the store.
- ♣ Range of merchandise includes categories like Books & Music, apparel and other lifestyles products

2. **Convenience of shopping at a particular outlet**.

♣ This element is fast gaining prominence in the world of organized retail.

♣ Example patient prefer medicine shops, fresh juice and fruits shops near clinic or hospitals.

3. Time of Travel:

- ♣ Time requires to reach a particular location is again become critical.
- ♣ big cities where traveling takes too much time like Delhi, Mumbai because of this we can see many local areas developing in terms of shopping to facilitate buying

4. Socio economic background and culture:

♣ Background of the consume largely determines his /her lifestyles. And this influences the kind of store that he may be comfortable shopping in.

♣ Consumer buying behavior varies largely market to market influence by culture and environment.

5. **The stage of the family life cycles.**

♣ The stage of the family life cycle the customer belongs to also influences their needs.

♣ Example Need for young bachelors differ from the requirements of the old age or senior citizen.

6. Retail Location

"A store is place , real or virtual , where the shoppers comes to buy goods & services. The
sales transaction occurs at this junction.‖

- The location of retail store has for along time been considered the most important ‗P' in retailing.

- Locating the retail store in the right place was considered to be adequate for success.

Types of Retail Location

Typically a store location may be:

1) Freestanding /Isolated store.

2) Part of Business District/Centers (unplanned Business Districts).

3) Part of a Shopping Center (Planned Shopping Centers)

Freestanding /Isolated store

- Where there are no other outlets in the vicinity of the store and therefore store depends on its own pulling power and promotion to attract customers.

  - A biggest advantage for freestanding stores is that there is no competition around.
- This type of location has several advantages including no competition, low rent, and often better visibility from the road, easy parking and lower property.

Part of Business District/Centers (unplanned Business Districts).

- A retail store can also be located as a part of a business district. Or we can refer this as unplanned business centers

- A business district is place of commerce in a city which developed historically as the center of trade and commerce in the city or town.

- A business districts can be a central, secondary or a Neighborhood business district.

- A Central business District **CBD** is the main center of commerce and trade in the city. (high land rates , intense development)
- CBD served different sections of population for Examples of Cannaught place in Delhi, Colaba in Mumbai, Commercial Street and in Bangalore are up market CBD's.

Part of a Shopping Center (Planned Shopping Centers)

- A shopping center has been defined as – a group of retail and other commercial establishments that is planned , developed, owned and managed as a single property‖

- The basic configuration of a shopping centre is a ―Mall ” or Strip centre.

- A mall is typically enclosed and climate controlled. A walkway is provided in front of the stores.

- A strip centre is a row of stores with parking provided in the front of the stores.
- In India we can planned shopping centre can categorize in two category

Regional shopping centers or Mall: Regional shopping centers or mall are the largest planned shopping centers..

- Often they are anchored by two or more major department stores have enclosed mall serve a large trading area and have high rents. (ansal plaza,spencers plaza crossroads, DLF city in Gurgaon)

- **Neighborhood/community/shopping centers:** Neighborhood /community centers usually have a balanced mix of stores including a few grocery stores , a chemist, a verity store and a few other stores selling convenience goods to the residents of the neighborhood.

5.5.3.Step involved in choosing a Retail Location

- In order to arrive at the decision on where to locate the retail store a retailer needs to first on the region that he wants to locate the store.
- After identifying the region the following steps Have to be followed .

1) Identifying the market in which to locate the store.

2) Evaluate the demand and supply within that market. i.e. determine the market potential.

3) Identify the most attractive sites

4) Select the best site available.

1. **Market Identification:**

- The first step in arriving at a decision on retail location is to identify the market attractiveness to a retailer.
- This is important that retail needs to understand the market well.

2. **Determining the market Potential::**

- The retailer need to take into consideration various elements as shown in format. (features of population)
- Demographic features of the population
- The characteristics of the household in the area (average household income)

- Competition and compatibility (Need to know compatibility & competition in market)
- Laws & regulations:(good understanding of the laws

- Trade area analysis:
- A trade area is the geographic area that generates the majority of the customers for the store.

- **Primary trade area:** primary trading covers between 50-80% of the store‘s customers.

- **Secondary Trading Area**: this area contains the additional 15- to 25% of the store‘s
  customers.

- **Tertiary trading area covers** the balance customers
- These trading areas are dependent on distance and do not always have to be concentric in naturel

3 & 4 Identify Alternate sites and select the site:

After taking decision on the location and market potential the retailer has to select the site to locate the store based on these

- Traffic
- Accessibility of the market is also a key factor
- The total number of stores and the type of store that exist in the area
- Amenities
- To buy or to lease
- The product mix to be offered by the retailer

Research prior to setting up a retail store

♣ Demographic Data.

♣ Population

♣ GDP

♣ Customer Data.

Research after setting up a retail store

1) Merchandise and service offered.

2) New product development.

3) Acceptability of products.
4) Acceptability of pricing.

5) Understanding consumer profiles.

Seven Secrets of Retail

1) STORE – Place – Business Development.
2) STOCK – Product – Visual Merchandising.
3) STAFF – People – Training & Development.
4) SERVICE – PersistenCe – CRM.
5) SALE – Priority – Sales & Marketing.
6) SUCCESS – Passion – Your Profession.
7) SMILE – Permanent – Pass it On…!

5.6.Cause-Related Marketing

Altruism. Corporate responsibility. Philanthropy. These are often used to describe cause-related marketing, an activity in which businesses join with charities or causes to market an image, product, or service for mutual benefit.

Embracing a cause makes good business sense. Nothing builds brand loyalty among today's increasingly hard-to-please consumers like a company's proven commitment to a worthy cause. Other things being equal, many consumers would rather do business with a company that stands for something beyond profits.

‒In today‘s marketing world, the companies have to be caring and they should look after the welfare of their customers and society‖

5.6.1.Cause marketing or cause-related marketing

Cause Related Marketing is defined as ‒(A) strategic positioning and marketing tool that links a company or a brand to a relevant social cause or issue, for mutual benefit‖.

‒A commercial activity by which business and charities or causes form a partnership with each other to market an image, product or service for mutual benefit‖.

5.6.2.Concept of Cause Related Marketing

Cause related marketing can be understood as a strategic positioning and marketing tool which links a company or a brand to a relevant social cause or issue for mutual benefit. It is the initiation and funding of deserving causes. Cause related marketing is a strategic marketing activity a way for a company to do well by doing good-distinct from sales promotion, corporate philanthropy, corporate sponsorship, corporate Samaritan acts and public relations, though it is often an amalgam of such activities. Nothing builds brand loyalty among today‘s increasingly hard to please consumers like a company‘s proven commitment to a worthy cause. Other things being equal many consumers would do business with a company that stands for something beyond profits. In nutshell, cause related marketing results in increased sales, visibility, and consumer loyalty and enhanced company image along with positive media coverage.

5.6.3.Indian Scenario

Cause related marketing and its impact on organizational selling and brand loyalty.

1. The HLL announced a contribution of fifty paisa to a diarrhea project on sale of each of its LIFEBUOY brand soap. It helped to improve market share for ‗lifebuoy‘

2. OBEROI Hotels had specially designed and printed envelopes placed in all Oberoi properties where in the guest could contribute to CRY, a non government organization and collected more than Rs. 6.50 lakhs in 18 months. CRY is a NGO whose role is that of an enabler a catalyst between two groups of people (a) development organization and individuals working at grass root level with marginalized children, their families and communities and people from all walks of life who believe in the rights of children.

3. In India ‗whisper‘ a brand in the sanitary nappies market where the materialistic difference is minimal announced a contribution of Re 1 on every pack of its sales for blind relief society. It helped to improve market share for ‗Whisper‘

4. NOVARTIS INDIA LTD. a pharmaceutical company in a cause related marketing scheme donated 2% or value of sales of OVALTLINE PLUS towards CRY‘S (a NGO‘s) Gujarat rehabilitation operations. Total amount raised was approximate Rs. 40, 000

5. The HLL announced a Rs. 5/- contribution to SOS children‘s village, a social service organization working for educating every little heart by inserting coupons in its Brook bond Taj Mahal tea powder packs. The customer has to tell the coupon number to the company through a toll free telephone number.

American Express first coined the phrase ―Cause Related Marketing‖ in the 1980s while raising money for the restoration of the Statue of Liberty in New York City. The CRM trend rapidly caught on with corporate in India during the 1990s. CRM became the vehicle by which companies indirectly propagandized their brands and it has provided companies with a new tool to compete in the market. The Principle goal of a Cause Related Marketing program has been to impact a company's bottom line through increased Sales. Some of its potential benefits include: Attracting and Retaining Customers, Market Differentiation, out reach to Niche Markets.

The increasing involvement of corporates in philanthropic or socially related causes has led to the growth of Cause Related Marketing (CRM) across the world. Although a phenomenon that had its roots in the western countries, CRM has gained rapid acceptance in India in recent Years. A case inexample for this is **Aravind Eye Care**, **TATA Salt**.

The Principle goal of a Cause Related Marketing program has been to impact a company's bottom line through increased Sales. Yet research has shown that, for companies committed to corporate social responsibility, CRM programs can offer other, often unanticipated, benefits to a company as well. Long –term impacts such as increased profitability or cost savings are often attributed to the observed changes resulting from effective CRM partnerships. The value realized by Cause Marketing programs will differ among companies and Industries.

How we make cause related marketing?

- Find a cause your member can support
- Get corporate partner for funding
- Engage the media
- Generate publicity and attention
- Donate funds / volunteers to a worthy cause

5.6.4.Some of the potential benefits include:

• Attracting and Retaining Customers
• Market Differentiation
• Out reach to Niche Markets

Powerful Marketing Edge

Cause-related marketing can become a cornerstone of your marketing plan. Your cause-related marketing activities should highlight your company's reputation within your target market. Cause- related marketing can positively differentiate your company from your competitors and provide an edge that delivers other tangible benefits, including:

- Increased sales
- Increased visibility
- Increased customer loyalty
- Enhanced company image

- Positive media coverage

By choosing a cause you are passionate about, cause-related marketing is emotionally fulfilling. It's a way to merge your profit center with your "passion center" and build a business that mirrors your personal values, beliefs and integrity. If your cause also resonates with your target market, your activities will generate tremendous goodwill and media attention can be its side effect.

5.6.5.Types of Cause marketing

Cause marketing can take on many forms, including:

- ♣ Product, service, or transaction specific
- ♣ Promotion of a common message
- ♣ Product licensing, endorsements, and certifications
- ♣ Local partnerships
- ♣ Employee service programs

Real-World Cause-Related Marketing Success

Cause-related marketing yields mutual benefit. Look for partners with a similar agenda whose goals can be better achieved by partnering with your business. Take inventory of the assets that make you an appealing partner in a cause-related venture.

There are many types of mutually beneficial relationships you can form with your cause-related partner, including special events, sales promotions and collection plans. An easy way to embrace a cause is to team up with a charity.

5.6.6.TATA SALT CRM Initiatives

TATA – A Profile

Established in 1939, Tata Chemicals Limited is one of India‘s leading manufacturers of inorganic chemicals and fertilizers. Part of the US$ 11- billion Tata Group, the company owns and operated the largest and most integrated inorganic chemicals complex in the country at Mithapur, Gujarat. Its fertilizer complex in Babrala, Uttar Pradesh is known for world – class energy- efficiency standards, and has won several awards in the fields of environmental conservation, community development and safety. Tata Chemicals is today acknowledged as the leader in the chemicals
and fertilizer industries. The company has a turnover of over Rs 1,700 crore and employs about 3,000 people.

CRY - A Profile

CRY is a registered Indian trust working towards building a people‘s movement to restore to India‘s underprivileged children their most basic rights. CRY harnesses the money, time and skills of thousands of individuals and organizations to partner 163 child- development initiatives across India. CRY is governed by values of respect for human dignity,

transparency, accountability, secularism, non-violence and the spirit of innovation Tata Salt, the pioneers and undisputed leaders in the packaged and iodized Salt Category, reiterated its commitment to the cause of educating underprivileged children and announced its Desh Ko Arpan Programme. The Desh Ko Arpan Programme, Tata Chemicals Limited Contributes 10 paise for every kilo of Tata Salt, sold during specific periods, to the education of underprivileged children. Child Relief and You (CRY) has been chosen as partners. The money raised was Rs 33 lakhs in a period of one month.
The money raised will support six child – development initiatives across the country, namely:

Lok Shakti Vikas Sansthan, Barmer, Rajasthan

Jabala, Kolkata, West Bengal

The Good Shepherd Society, Chennai, Tamil Nadu

Gramya, Nalgonda, Andhra Pradesh

The community Services Guild, Namakkal, Tamilnadu

Rachana Society for Social Reconstruction, Pune Maharashtra.

5.7.Ethics in Marketing

PREAMBLE

The American Marketing Association commits itself to promoting the highest standard of professional ethical norms and values for its members (practitioners, academics and students). Norms are established standards of conduct that are expected and maintained by society and/or professional organizations. Values represent the collective conception of what communities find desirable, important and morally proper. Values also serve as the criteria for evaluating our own personal actions and the actions of others. As marketers, we recognize that we not only serve our organizations but also act as stewards of society in creating, facilitating and executing the transactions that are part of the greater economy. In this role, marketers are expected to embrace the highest professional ethical norms and the ethical values implied by our responsibility toward multiple stakeholders (e.g., customers, employees, investors, peers, channel members, regulators and the host community).

5.7.1.ETHICAL NORMS

As Marketers, we must:

1. **Do no harm.** This means consciously avoiding harmful actions or omissions by embodying high ethical standards and adhering to all applicable laws and regulations in the choices we make.
2. **Foster trust in the marketing system.** This means striving for good faith and fair dealing so as to contribute toward the efficacy of the exchange process as well as avoiding deception in product design, pricing, communication, and delivery of distribution.
3. **Embrace ethical values.** This means building relationships and enhancing consumer confidence in the integrity of marketing by affirming these core values: honesty, responsibility, fairness, respect, transparency and citizenship.

5.7.2.ETHICAL VALUES

Honesty – to be forthright in dealings with customers and stakeholders. To this end, we will:

- Strive to be truthful in all situations and at all times.
- Offer products of value that do what we claim in our communications.
- Stand behind our products if they fail to deliver their claimed benefits.
- Honor our explicit and implicit commitments and promises.

Responsibility – to accept the consequences of our marketing decisions and strategies. To this end, we will:

- Strive to serve the needs of customers.
- Avoid using coercion with all stakeholders.
- Acknowledge the social obligations to stakeholders that come with increased marketing and economic power.
- Recognize our special commitments to vulnerable market segments such as children, seniors, the economically impoverished, market illiterates and others who may be substantially disadvantaged.
- Consider environmental stewardship in our decision-making.

Fairness – to balance justly the needs of the buyer with the interests of the seller. To this end, we will:

- Represent products in a clear way in selling, advertising and other forms of communication; this includes the avoidance of false, misleading and deceptive promotion.
- Reject manipulations and sales tactics that harm customer trust.
  Refuse to engage in price fixing, predatory pricing, price gouging or ‒bait-and-switch‖ tactics.
- Avoid knowing participation in conflicts of interest.
  Seek to protect the private information of customers, employees and partners.

Respect – to acknowledge the basic human dignity of all stakeholders. To this end, we will:

- Value individual differences and avoid stereotyping customers or depicting demographic groups (e.g., gender, race, sexual orientation) in a negative or dehumanizing way.
- Listen to the needs of customers and make all reasonable efforts to monitor and improve their satisfaction on an ongoing basis.
- Make every effort to understand and respectfully treat buyers, suppliers, intermediaries and distributors from all cultures.

- Acknowledge the contributions of others, such as consultants, employees and coworkers, to marketing endeavors.
- Treat everyone, including our competitors, as we would wish to be treated.

Transparency – to create a spirit of openness in marketing operations. To this end, we will:

- Strive to communicate clearly with all constituencies.
- Accept constructive criticism from customers and other stakeholders.
- Explain and take appropriate action regarding significant product or service risks, component substitutions or other foreseeable eventualities that could affect customers or their perception of the purchase decision.
- Disclose list prices and terms of financing as well as available price deals and adjustments.

Citizenship – to fulfill the economic, legal, philanthropic and societal responsibilities that serve stakeholders. To this end, we will:

- Strive to protect the ecological environment in the execution of marketing campaigns.
- Give back to the community through volunteerism and charitable donations. Contribute to the overall betterment of marketing and its reputation.
- Urge supply chain members to ensure that trade is fair for all participants, including producers in developing countries.

Consumer Behavior Online

Consumer types

- Individual consumers
    - Commands most of the media‘s attention
- Organizational buyers
    - Governments and public organizations
    - Private corporations
    - Resellers

Purchasing types and experiences

- 2 dimensions of shopping experiences
    - Utilitarian—to achieve a goal
    - Hedonic—because it‘s fun
- 3 categories of consumers
    - Impulsive buyers—purchase quickly
    - Patient buyers—make some comparisons first
    - Analytical buyers—do substantial research before buying

Demographics of Internet Surfers

Environmental variables

- Social variables – influenced by peers

- ¬ Cultural variables
- ¬ Psychological variables
- ¬ Other environmental variables - e.g. government restrictions

Personal characteristics / demographics

- ¬ Consumer resources and lifestyle
- ¬ Age; gender; marital status
- ¬ Knowledge and educational level
- ¬ Attitudes and values
- ¬ Motivation
- ¬ Personality
- ¬ Ethnicity

More experience on Web ◊ more to buy online

Two major reasons people do not buy online

- ¬ Security
- ¬ Difficulty judging the quality of the product

5.8.Online Marketing Trends

1. Mobile-optimization will become more important than ever

Optimizing for mobile has been a significant priority for businesses in 2014, but 2015 will be the year that mobile strategies move beyond simply having a responsive site or mobile app, and focus on mobile-optimized content and social media marketing as well.

We know that Google has been placing additional emphasis on how mobile-friendly sites are; in fact, they've stated that mobile usability is now "relevant for optimal search results." This emphasis is apparent in the recent launch of a new feature in Google Webmaster Tools called Mobile Usability, which I covered in my article, Is Mobile Usability Now a Search Ranking Factor?

I predict that the latter half of 2015 will see many businesses finally incorporating mobile into all areas of their digital marketing: a fully responsive website, mobile ads, and separate content specifically for mobile website users. Businesses will also begin to realize the necessity of having a mobile social media strategy that considers how mobile users consume and interact with social media posts.

2. Social media ad spend will sharply increase as brands realize the importance of social media marketing

In the first part of 2014, we saw Facebook reporting increased ad revenue (10%) over the previous fiscal period. As organic post reach continues to fall, and as Facebook restricts what types of posts can be shown in users' feeds, paid advertising is only going to increase as businesses struggle to maintain traffic and sales from social media channels.

Businesses are seeing positive results from their investment in social media, including increased exposure and traffic, and are seeing paid social ads as the way to scale these results. Twitter's new advertising options (currently in beta), where payment is triggered by specific actions like website clicks, app downloads and email opt-ins, will mean small to medium-sized businesses will be more likely to invest in these objective-based campaigns.

I wrote more about this in my article, The Top 7 Social Media Marketing Trends That Will Dominate 2015.

3. Content marketing will be (even) bigger than ever

According to the B2B Content Marketing Benchmarks report, 93% of B2B marketers said they used content marketing in 2014, and 42% said they considered their strategy effective (up from 36% last year).

As marketers continue to see the benefits of their content strategies, money previously earmarked for search engine PPC, SEO and social media will be re-allocated to content marketing efforts. A major struggle, however, will be finding ways to stand out amidst the throngs of other content vying for attention. Case studies, video content, research-intensive content, and content that abides by the 12 quality metrics will be what gives businesses an advantage over their competitors.

Businesses will be increasingly willing to invest in mobile content, including creating short-form content that's easily readable on mobile devices, understanding their audience's mobile habits and putting more emphasis on video and visual content that's easily consumed via mobile. For more on this, see my post 10 Steps to Creating a Mobile-Optimized Content Marketing Strategy.