CHAPTER IV

Theoretical Framework: Concepts, Theories and Models

- Marketing Strategy.
- Strategic Planning.
- Segmentation and Positioning Strategies.
- Marketing Strategies for Leaders, Challengers & Followers.
- Marketing Strategies for different phases of PLC.
- Communication and Promotion Strategies.
- Understanding Organizational Buying Behavior.
- Industrial Selling.
CHAPTER – IV


4.1 Marketing Strategy:

Etymologically, the word ‘Strategy’ is derived from Greek ‘Stratogesa’ – that is ‘Art of the general’ – the Science of Warfare.

According to Baker “In recent years the term Corporate Strategy has been widely adopted by management to describe the activities associated with the statement of an organization’s overall goals or objectives and the means by which they are to be achieved / fulfilled”.

Steiner and Milliner define Strategy as “the formulation of basic organizational missions, purposes and objectives and policies and programs to achieve them”.

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In broad terms there are eight specific management tasks involved in formulation and implementation of Strategy:

i) Articulation of Vision.
ii) Developing Mission.
iii) Setting Objectives.
iv) Formulating Strategy.
v) Implementation.
vi) Evaluation of Performance.
vii) Providing Feedback.
viii) Taking Corrective Action.

According to Greenley the definitions of Marketing Strategy can be classified in to five broad categories.

1. Marketing Strategy is Marketing Mix.
3. Marketing Strategy is setting Objectives, Targeting and Marketing Mix.
4. Marketing Strategy is using of Marketing Mix through out the organization

5. Marketing Strategy is same as Corporate Strategy.

Greenley has proposed following definition of Marketing Strategy, “It is a stream of decisions for targeting and positioning in selected market segment, and for utilizing mix elements for specific conditions in each segment”.

Several typologies of generic Marketing Strategies have been developed notably by Porter (1980) and Miles and Snow (1978). A more recent work is Hooley et al (1992), which surveyed 616 single SBU companies in UK and examined generic Marketing Strategies. In order to identify which Generic Strategy had been adopted by respondent firm. Hooley et al., (1986), followed hierarchical clustering approach used by Doyl et.al. It is a technique which searches for clusters of objects (Strategies in this case) which retain a reasonable degree of internal homogeneity while exhibiting high level of external heterogeneity. In turn five main Marketing Strategy components identified by O’ Shaughnessy.
From this research a number of generic strategic elements can be determined:

First, three broad types of objectives may be distinguished:

i) Aggressive Growth.

ii) Equilibrium or Modest Growth.

iii) Defensive positioning.

Strategic focus could be:

i) To expand the market.

ii) To win the market share.

iii) Productivity and cost reduction.
In targeting its market the firm may follow:

i) Undifferentiated approach.

ii) Differentiated approach.

iii) Concentrated approach.

Positioning will be based on quality and the price.

Analysis of Hooey et al give five strategies:

i) Aggressive growth objectives through High Value Positioning.

ii) Steady sales growth through Selective Targeting and Premium Positioning.

iii) Steady sales growth through Selective Targeting and Average Positioning.

iv) Steady sales growth through Selective Targeting with High Quality Products.
v) Defensive objectives through Cost Reduction and Productivity Improvement.

4.2 Strategic Planning

The business firms who survive and grow are the ones who know as to how to adapt and respond to continuously changing market place. They practice market oriented strategic planning.

“Strategic Planning is the Managerial process of developing and maintaining a viable fit between the organizations objectives and resources and its changing market opportunities. The way of Strategic Planning is to shape and reshape the company’s business and products so that they combine to produce satisfactory profits and growth”.

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The three key elements of strategic planning are:

i) Managing the Portfolio

ii) Assessing the future Profit Potential of each Business.

iii) Strategy, the game plan

The three organizational levels at which the planning is carried out are -

I) Corporate Level – Corporate Strategic Planning.

II) Business Level – Business Strategic Planning.

III) Product Level – Marketing Planning.

I) Corporate Strategic Planning:

The Corporate headquarters differ in their seeking the involvement of business units in preparing the Corporate Plans. However four planning activities being carried out by Corporate Headquarters are:
a) Defining Corporate Mission

b) Identifying Company’s SBU’s (Strategic Business Units)

c) Analyzing and Evaluating Current Portfolio of Businesses

d) New Business Plans.

a) Corporate Mission: When the management senses that the organization is drifting, it must renew its search for purpose.

According to Peter Drucker it is time to ask some fundamental questions:

i) What is our Business?

ii) Who is our Customer?

iii) What is value to the Customer?

iv) What our Business will be?

v) What should our Business be?
The Corporate Mission is shaped by five elements

i) Company’s history.

ii) Current preferences of Management.

iii) Environmental factors.

iv) Resources.

v) Distinctive Competences.

A well worked out Mission Statement provides company personnel with ‘Shared Sense’ of opportunity, direction, significance and achievement. It acts as invisible hand that guides geographically scattered employees towards common goal.

The mission statement has to specify the domain of operation:

i) Industrial Scope.

ii) Market Segment Scope

iii) Vertical Scope

iv) Geographical Scope
b) Strategic Business Unit Identification:

According to Lewitt, Market definitions of Business are superior to product definitions of business. He argues that a business must be viewed as “Customer Satisfying Process” and not as “Goods producing process”. According to Abell Business can be defined in terms of three dimensions.

i) Customer Groups

ii) Customer needs

iii) Technology

An SBU (Strategic Business Unit) has three characteristics:

i) It is a single Business or collection of related Businesses that can be planned separately, and in principle can stand-alone from rest of the Company.

ii) It has its own Competitors
iii) It has a Manager who is responsible for Strategic Planning and Profit Performance and who controls most of the factors affecting profit.

c) Evaluating the current Business portfolio: by using the analytical tools for classifying the business by profit potential, so that one of the four objectives could be pursued:

i) Build   ii) Hold   iii) Harvest   iv) Divest

Two of the best-known models are BCG Model and GE Model.

d) Corporate New Business Plan:

If there is a gap between future desired Sales and Projected Sales, Management will have to develop or acquire new businesses to fill Strategic Planning Gap which can be done by any one of three ways:
i) **Intensive Growth Opportunities**: Identify further opportunities to achieve growth within company’s current businesses.
   a) Market Penetration b) Market Development
   b) Product Development.

ii) **Integrative growth opportunities**: Identify the opportunities to build or acquire businesses that are related to company’s current businesses.
   a) Backward Integration b) Forward Integration
   b) Horizontal Integration

iii) **Diversification Growth Opportunities**: Identify opportunities to add attractive Businesses that are unrelated to Companies current Business – a) Concentric Diversification b) Horizontal Diversification
   c) Conglomerate Diversification.
iv) **Intensive growth Opportunities**: Ansof has proposed useful framework for detecting new Intensive Growth Opportunities called a Product / Market Expansion Grid it is shown in the figure below:

**Table : 4.1 Product/Market Expansion Grid.**

<table>
<thead>
<tr>
<th></th>
<th>Current Products</th>
<th>New Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Markets</td>
<td>Market penetration strategy</td>
<td>Product development strategy</td>
</tr>
<tr>
<td>New Markets</td>
<td>Market development strategy</td>
<td>Diversification strategy</td>
</tr>
</tbody>
</table>

II) **Business Strategic Planning:**

Consists of:

1) **Defining the Business Mission**

2) **Analysing external Environment (Opportunities, Threats)**

3) **Analysing internal Environment (Strengths, Weaknesses)**

4) **Choosing Goal.**

5) **Developing strategy.**

6) **Preparing Program.**
Strategy formulation: Although there are many types of Strategies, Porter has condensed them into three Generic types that provide a good starting point for Strategic thinking.

i) **Overall Cost Leadership**: The Business works hard to achieve lower cost of Production and Distribution, so that it can price lower than competitors and win large Market Share.

ii) **Differentiation** – Here the Business concentrates on achieving superior performance in some important customer benefit area valued by the Market as a whole.

iii) **Focus**: Here the business focuses on one or more narrow Market Segments rather than going after the whole market.
Strategy Implementation:

Strategy is only one of the seven elements that the best-managed Companies exhibit. Strategy, Structure and System are considered as hardware of success and the next four Style, Staff, Skills and Shared Values are software.

III) Marketing Planning:

Marketing Management process consists of analyzing Marketing Opportunities, researching and selecting Target Markets, designing Marketing Strategies, planning Marketing Programs, and organizing, implementing and controlling the Marketing efforts.

Marketing strategy defines the broad principles by which the Business Unit expects to achieve its Marketing objectives in a Target Market. It consists of basic decisions on total marketing expenditure, Marketing Mix and Marketing allocation.
Marketing Mix is one of the key concepts in modern Marketing theory. It is the set of marketing tools that the firm uses to pursue its Marketing objectives in the Target Market.

There are dozens of Marketing Mix tools. McCarthy has popularized a four-factor classification of these tools called 4 Ps. Product, Price, Place and Promotion.

Contents of Marketing Plans:

i) Executive Summary.

ii) Current marketing situation.

- Marketing situation.
- Product situation.
- Competitive situation.
- Distribution situation
- Macro environment situation

iii) Opportunity & Issue analysis
iv) Objectives

- Financial Objectives.
- Marketing Objectives.

v) Marketing Strategy.

vi) Action Program.

vii) Projected Profit & Loss Statement.

viii) Controls.

4.3 Segmentation and Positioning Strategies:

No business firm can satisfy all the needs of all the customers as the customers are too numerous, widely scattered and varied in their requirements.
The heart of modern Strategic Marketing can be described as STP Marketing - Segmenting, Targeting and Positioning - the broader framework for strategic success in marketplace.

The evolution of STP can be traced in following continuum:

Mass Marketing $\rightarrow$ Product Variety Marketing $\rightarrow$ Target Marketing.

1. **Mass Marketing** – where the seller engages in mass Production, mass Promotion and mass distribution, so as to lower the cost and price and to create large market.

2. **Product Variety Marketing** – Here the seller produces several products that exhibit variations in style features size etc. The intention is to offer variety to the buyers rather than to appeal to different segments.

3. **Target Marketing** - Here the seller identifies and chooses one or more Market Segments and develops the products and Marketing Programs specifically for the chosen Segment.
Today Mass Marketing and Product Variety Marketing have lost their relevance — As stated by Arbeit “Gorilla warfare Marketing in 80’s means that the battles for hearts, minds and pocket books of the consumers will be won on a block-by-block, store by store, purchase by-purchase basis”.

Target Marketing Strategy helps sellers in identifying the Market Opportunities better. The sellers can develop the right offer for each Segment; adjust the Prices, Distribution channels and Advertising to reach Target Market efficiently. Hence ‘Rifle’ approach is superior to ‘Shotgun’ approach.

The three steps in Target Marketing are as under:

i) Market segmentation.

ii) Market Targeting.

iii) Product Positioning.
### Table: 4.2 Steps in Target Marketing.

<table>
<thead>
<tr>
<th>Marketing Segmentation</th>
<th>Market Targeting</th>
<th>Product Positioning</th>
</tr>
</thead>
<tbody>
<tr>
<td>A) Identify Segmentation variables and Segment the market.</td>
<td>C) Evaluate the Segments attractives.</td>
<td>E) Identify possible Positioning concepts for each Target Segment.</td>
</tr>
<tr>
<td>B) Develop profiles of resulting segments.</td>
<td>D) Select the Target Segments.</td>
<td>F) Select, develop and signal the chosen Positioning concept.</td>
</tr>
</tbody>
</table>

(I) Market Segmentation:

A) Following are the basis for market segmentation:

a) Consumer characteristics:

i) Geographic      ii) Demographic      iii) Psychographic

b) Consumer Responses:

i) Occasions      ii) Benefits      iii) Usage      iv) Attitude

In addition to above basis one can use following framework for segmenting Industrial products proposed by Bonoma and Shapiro:
1. Demographic
   i) Industry
   ii) Company size
   iii) Location

1. Operating variables
   i) Technology
   ii) User / non user status
   iii) Customer capacities

2. Purchasing approach
   i) Purchasing function organization
   ii) Power structure.
   iii) Nature of existing relationships.
   iv) General purchase Policies.
   v) Purchase criteria.

   i) Urgency.
   ii) Specific application.
   iii) Size of order.
4. Personal characteristics.

i) Buyer seller similarity.

ii) Attitude toward risk.

iii) Loyalty.

B) Developing Customer Segment profile:

The segments developed need to be profiled in detail with the descriptors such as their demographics, psychographics, mediographics, attitude and behaviors.

The market segmentation to be effective has to have following characteristic:

i) Measurability.

ii) Substantiality.

iii) Accessibility.

iv) Actionability.

(II) Target Marketing
C) Here in this stage three factors are to be considered.

i) Segment size and growth.

ii) Segment structural attractiveness.

iii) Company’s objectives and resources.

i) Segment size and growth: The company has to ask the question whether the Segment size is adequate (relative) and growth pattern positive.

ii) Segment structural attractiveness: In spite of having desirable size and growth rate the market segment may not be attractive from profitability point of view. Porter has identified five forces that determinal the intrinsic long run attractiveness of Market Segment.

His five-force model consisting of nine segments (Three customer groups times three possible products). The middle segment being analyzed for structural attractiveness. The company has to appraise the impact on long run profitability of five groups.
i) Threat of intense segment rivalry
ii) Threat of new entrants
iii) Threat of substitute products.
iv) Threat of growing bargaining power of buyers.
v) Threat of growing bargaining power of supplier.

(iii) Company objectives and resources:

The attractiveness of the market segment has to be compatible with the company’s Objectives and Resources.

D) Selecting the Market Segment: The company on evaluating the attractiveness of each segment, has to choose the most attractive segments as the target. Here company can consider five possible market coverage patterns suggested by Abell.

i) Single segment concentration.
ii) Selective specialization.
iii) Product specialization.
iv) Market specialization.

v) Full market coverage.

(3) **Product positioning**: “It is an act of designing the Company’s image and value offer, so that the segment’s customers understand and appreciate what the Company stand for in relation to its competitors”.

Positioning starts with a product, a piece of merchantise a service, a company an institution or even a person. But positioning is not what you do to a product. Positioning is what you do to the mind of prospect. That is you position the product in the mind of the prospect.

**It involves:**

i) Identifying potential advantage.

ii) Selecting the right one (s).
iii) Effectively signaling to the Market the firms Positioning concept.

3. Analyzing Competition – The pre-requisite for strategy formulation.

"Marketing is merely a civilized form of warfare in which most battles are won with words, ideas and disciplined thinking" – Albert W. Emery.

In preparing effective Marketing Strategy, the company must be abreast of its customers and competitions as well. This is necessary because of low growth of the market and sales can only be gained by snatching the share from competitions pie.

Atleast five aspects are necessary to be known before strategy is formulated:
i) Who are our Competitors?

ii) What are their Strategies?

iii) What are their Objectives?

iv) What are their Strengths and Weaknesses?

v) What are their reaction Patterns?

4.4 Marketing Strategies for Market Leaders, Challengers, Followers and Nichers:

Competitors in a particular Market vary as their objectives and resources vary.

The firms occupy one of the six competitive positions in their industry, according to Arthur D. Little.

1. Dominant: The firm contests the behavior of other competitors and has wide choice of strategic options.
2. Strong: This firm can take independent action without endangering its long-term position and can maintain its long-term position regardless of competitors actions.

3. Favorable: The firm has strength that is exploitable in particular strategies and has more than average opportunity to improve its position.

4. Tenable: This firm is performing at sufficiently satisfactory level to warrant continuing in business but it exists at the sufferance of dominant company and has a less than average opportunity to improve its position.

5. Weak: This firm has satisfactory performance but an opportunity exists for improvement and must change or else exit.

6. Non-viable: This firm has unsatisfactory performance and no opportunity for improvement.

**Strategies for the Market Leader:**

If the firm wants to remain number one, (I) It must find ways to expand total market demand (II) Protect present market share
through good defensive and offensive actions and (III) Try to increase its market share even if the Market size remains constant.

(I) **Strategies for expanding market size:**

a) New uses.

   i) Persuading non users (Market penetration Strategy)  
   ii) Converting new category (New Market Strategy)  
   iii) Selling in other location (Geographical expansion Strategy)

b) New usage.

c) More usage.

(II) **Defending Market Share:**

(i) **Position Defense:** To build impregnable fortification around ones territory.

(ii) **Flanking Defense:** In addition to guarding its territory, erect some flanks or out posts to serve as defensive corner to protect weak front or an invasion base for counter attacking if necessary.
(iii) **Preemptive Defense:** An aggressive defense maneuver is to launch an offensive against the enemy before it starts an offence against the company.

(iv) **Counter offensive Defense:** When in spite of its flanking and preemptive maneuvers the Market leader is attacked, it retaliates with all strength.

(v) **Mobile Defense:** It consists of leader’s stretching its domain over new territories that can serve as future centers for defense or offense.

   a) Market Broadening strategy when there is shift of focus from current product to generic need and involve in R&D across whole range of technology associated with that need.


(vi) **Contraction Defense:** Strategies withdraw to consolidate ones competitive position and concentrate on pivotal position.
(III) **Expanding Market Share:** Market leaders can also try to improve their profitability by increasing their market share further.

**Strategies for Market Challenger:** The firms occupying second, third or fourth positions etc adopt Market Challenger or Market Follower strategies.

Dolan found that competitive rivalry is intense in industries where there is high fixed cost, high inventory cost, and stagnant primary demand.

**Defining Strategic Objectives and Opponents:** Strategic objective of most market challengers is to increase their market share.

**Aggressor can choose to attack one of the three types of firms:**

(i) It can attack Market Leader.

(ii) It can attack firms of its own size.
(iii) It can attack small local and regional firms that are not
doing the job and are under financed.

Choosing Attack Strategy:

i) **Frontal Attack**: Firm when launches head on attack by massing
its forces against those its opponent. It attacks opponent's
strengths than its weaknesses. The outcome depends on who has
the more strength and endurance.

ii) **Flank Attack**: Concentration of strengths against weaknesses.
Attacking in the areas not expected by the competition. It can be
directed along two strategic dimensions:

   a) Geographic and b) Segmental.

   For example, some of IBM's rivals chose to set up strong
branches in medium and smaller sized cities, which are relatively
neglected by IBM. According to Honeywell Sales Manager¹
“Out in the rural areas, we are relatively better off than cities. We have been quite successful in these areas because our sales force does not meet the ten plus to one ratio it hits in cities where IBM concentrates its people. Thus, ours must be a concentration game”.

iii) Encirclement Attack: It is an attempt to capture a wide slice of enemy’s territory through a “blitzkrieg” attack. It involves launching a grand offensive on several fronts. This strategy makes a sense if aggressor commands greater resources and is confident of getting results swiftly.

iv) Bypass Attack: It is bypassing the enemy and attacking easier markets to broaden one’s resources base. It offers three approaches:

a) Diversifying in to unrelated areas b) Diversifying into new geographical Markets. c) Leapfrogging in to new Technologies.
vi) Guerilla Attack: Suitable for smaller and undercapitalized ones. It consists of making small, intermittent attacks on different territories of opponent, with an aim of harassing and demoralizing the opponent. This would include selective Price cuts, intense Promotional burst, and occasional legal actions.

Some of the specific attack strategies available to challenges are:


Strategies for Market Follower: Levitt argues that a strategy of Product Innovation might not be as profitable. As innovator has to bear huge expense in developing the new product, getting into distribution and educating the market. The reward is namely Market Leadership. But the follower can just initiate or improve the product and lunch with reasonable success at relatively low cost.
Three brand followership Strategies are –

Following Closely (ii) Following at a distance (iii) Following selectively.

**Market Nicher Strategies:**

Every Industry includes smaller firms that specialize in parts of market where they avoid clashes with majors. These smaller firms occupy market niches that they serve effectively through specialization and which the majors are likely to ignore.

An ideal market niche would have following characteristics:

1. Niche is of sufficient size and purchasing power to be profitable.
2. It has growth potential.
3. It is of negligible interest for majors.
4. The firm has required skills and resources to serve the niche.
5. The firm can defend itself against an attacking major competitor through the customer good will it has built up.

The key to nichemanship is specialization. The specialist roles open are:

(i) Enduser Specialist    (ii) Vertical Level Specialist (iii) Customer size Specialist  (iv) Specific Customer Specialist  (v) Geographic Specialist (vi) Product/Product line Specialist. (vii) Product Feature Specialist (viii) Job Specialist (ix) Quality/Price Specialist (x) Service Specialist (xi) Channel Specialist.

In order to be profitable inspite of low market share, niche strategy could be better option. Clifford and Cavangh of Marketing Consultants identified over two dozen highly successful mid sized companies who niched within larger Markets rater than going ofter the whole market.
### 4.5 Marketing Strategies at different stages of product life cycle:

**Table No: 4.3 Marketing Strategies for PLC phases:**

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Introduction</th>
<th>Growth</th>
<th>Maturity</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>Low sales</td>
<td>Rapidly rising</td>
<td>Peak sales</td>
<td>Declining sales</td>
</tr>
<tr>
<td><strong>Costs</strong></td>
<td>High cost per customer</td>
<td>Average cost per customer</td>
<td>Low cost per customer</td>
<td>Low cost per customer</td>
</tr>
<tr>
<td><strong>Profits</strong></td>
<td>Negative</td>
<td>Rising Profits</td>
<td>High Profits</td>
<td>Declining profits</td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td>Innovators</td>
<td>Early adopters</td>
<td>Middle majority</td>
<td>Laggards</td>
</tr>
<tr>
<td><strong>Competitors</strong></td>
<td>Few</td>
<td>Growing number</td>
<td>Stable number beginning to decline</td>
<td>Declining number</td>
</tr>
</tbody>
</table>

**Marketing Objectives**

<table>
<thead>
<tr>
<th></th>
<th>Create product awareness and trial</th>
<th>Maximize market share</th>
<th>Maximize profit while defending market share</th>
<th>Reduce expenditure and milk the brand</th>
</tr>
</thead>
</table>

**Strategies**

<table>
<thead>
<tr>
<th>Product</th>
<th>Offer a basic product</th>
<th>Offer product extensions, service, warranty</th>
<th>Diversify brands and models</th>
<th>Phase out weak items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>Use cost-plus</td>
<td>Price to penetrate market</td>
<td>Price to match or beat competitors</td>
<td>Cut price</td>
</tr>
<tr>
<td>Distribution</td>
<td>Build selective distribution</td>
<td>Build intensive distribution</td>
<td>Build more intensive distribution</td>
<td>Go selective: phase out unprofitable outlets</td>
</tr>
<tr>
<td>Advertising</td>
<td>Build product awareness among early adopters and dealers</td>
<td>Build awareness and interest in the mass market</td>
<td>Stress brand differences and benefits</td>
<td>Reduce to level needed to retain hardcore loyals</td>
</tr>
<tr>
<td>Sales Promotion</td>
<td>Use heavy sales promotion to entice trial</td>
<td>Reduce to take advantage.</td>
<td>Increase to encourage brand switching</td>
<td>Reduce to minimal level</td>
</tr>
</tbody>
</table>
4.6 Communication and Promotion Strategies:

It is not adequate to design good product, prising it competitively and placing it through right channel. What it is equally important is to design and implement Communication Strategy in the manner that it gives superior results.

In doing so there are four set of tools available with the marketer.

1) Advertising – Any paid form of nonpersonal presentation and promotion of ideas, goods or services by an identified sponsor.

2) Sales promotion – Short-term incentives to encourage purchase or sales of a product or service.

3) Publicity – Nonpersonal stimulation of demand for product, service or business unit by planting commercially significant news about it in a published medium or obtaining favorable
presentation of it upon radio, TV or stage that is not paid for by the sponsor.

4) Personal selling – Oral presentation in conversation with one or more prospective purchasers for the purpose of making sales.

Table No: 4.4 Promotional Mix

<table>
<thead>
<tr>
<th>Advertising</th>
<th>Sales Promotion</th>
<th>Publicity</th>
<th>Personal Selling</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Pri.t/broadcast Ads</td>
<td>- Contests</td>
<td>- Press kits</td>
<td>- Sales Presentation</td>
</tr>
<tr>
<td>- Packaging – inserts</td>
<td>- Premiums</td>
<td>- Speeches</td>
<td>- Sales Meeting</td>
</tr>
<tr>
<td>- Mailing catalogue</td>
<td>- Gifts</td>
<td>- Seminar</td>
<td>- Tele Marketing</td>
</tr>
<tr>
<td>- Motion Pictures</td>
<td>- Sampling</td>
<td>- Charity</td>
<td>- Incentive Megrims</td>
</tr>
<tr>
<td>- Brochure, Poster, Leaflet</td>
<td>- Trade funs</td>
<td>- PR</td>
<td></td>
</tr>
<tr>
<td>- Directories</td>
<td>- Exhibits, Demos</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Signboards</td>
<td>- Coupons</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- PCP Display</td>
<td>- Low interest finance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Symbols and logos</td>
<td>- Entertainment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The Communication Process:

Lasswell said that a communication model would answer (1) who (2) says what (3) in what channel (4) to whom (5) with what effect.

Over the years the Communication Model with nine elements have been evolved.

Figure No: 4.1 Elements in the Communication Process.

The more the senders field of experience overlaps with that of the receiver, the more effective the message likely to be. "The
source can encode, and destination can decode, only in terms of experience each has had"

The challenge for the communication is to design the message that wins the attention in spite of surrounding distractions; Schramm has suggested the equation likelihood of attention. =

\[
\text{Perceived reward strength} - \text{Perceived punishment strength} \quad \text{Perceived expenditure of effort}
\]

Cartwrite has given the pre conditions for influencing the behavior of another person through the process of Communication.

1. The message must reach the sense organs of the persons who are to be influenced.
2. The message must be accepted as the part of person’s cognitive structure.
3. To induce a given action by mass persuasion, this action must be seen by the person as a path to some goal that he has.
4. To induce a given action, an appropriate cognitive and motivational system must gain control of the person's behavior at a particular point of time.

Fiske and Hartley have outlined some factors that moderate the effect of communication:

1. The greater the monopoly of communication sources over the recipient, the greater the change or effect in favor of source over the recipient.
2. Communication efforts are the greatest where the message is in line with the existing opinions, beliefs and dispositions of the receiver.
3. Communication can produce most effective shifts on unfamiliar, lightly felt, peripheral issues which do not lie at the center of the recipient's value system.
4. Communication is more likely to be effective where the source is believed to have expertise, high status, objectively, or like ability,
but particularly where the source has power, and can be identified with.

5. The social context, group or reference group will mediate the communication and influence whether or not it is accepted.

The steps involved in developing effective communications:

i) Identify the Target Audience.

ii) Determine the Communication objectives

iii) Design the Message

iv) Select the Communication channel.

v) Allocate the Total Promotional Budget.

vi) Decide on the Promotional Mix.

vii) Measure the Promotional results.

viii) Manage and Co-ordinate the Communication process.
4.7 Understanding Organizational Buyer Behavior:

Webser and Wind define organizational buying as “the decision making process by which formal organizations establish the need for purchased products and services, and identify, evaluate and choose among alternative brands and suppliers.

Industrial Market (also called the Producer or Business Market) consists of all the individuals and organizations that acquire goods and services that enter into the production of other products or services that are sold, rented out or supplied to others.

Industrial buyers have certain characteristics that contrast sharply with Consumer Markets.

These are:

Demand viii) Professional Buying iv) Several Buying Influences.

Robinson and others distinguish three types of buying situations, which they call 'buy classes'

i) Straight rebuy.

ii) Modified rebuy.

iii) New task.

Webster and Wind call the decision making unit of buying organization the ‘Buying Center’ - all those individuals and groups who participate in the purchasing decision making process, who share some common goals and the risks arising from the decisions.

The Buying center includes all members of the organization who play any of six roles.

i) Users.

ii) Influences.
iii) Deciders.
iv) Approvers.
v) Buyers.
vi) Gatekeepers.

Main factors influencing Industrial Buyer behavior:

**Industrial buying process:**

Robinson et al have identified eight stages of industrial buying process and called them buyphases.

**Figure: 4.2 Major Influences on Industrial Buying Behavior.**

```
<table>
<thead>
<tr>
<th>Environmental</th>
<th>Organizational</th>
<th>Interpersonal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of Demand</td>
<td>Objectives</td>
<td>Authority</td>
</tr>
<tr>
<td>Economic outlook</td>
<td>Policies</td>
<td>Status</td>
</tr>
<tr>
<td>Cost of money</td>
<td>Procedures</td>
<td>Empathy</td>
</tr>
<tr>
<td>Rate of technological change</td>
<td>Organizational structures</td>
<td>Persuasiveness</td>
</tr>
<tr>
<td>Political and regulatory developments</td>
<td>Systems</td>
<td></td>
</tr>
<tr>
<td>Competitive Development</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

BUYER
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A survey of purchasing managers in electronics industry found that their major information sources in order of importance were

i) Internal information such as purchasing records, other Depts. And purchasing directories.

ii) Sales person's telephone calls and personal visits.

iii) External investigation such as investigation of vendors facilities, outside purchasing managers, credit and financials reports, and members of local purchasing chapters.

iv) External information such as journal advertisements, journal articles, mail advertisements, catalogs, telephone directories and trade shows.

People differ markedly in their readiness to try new products. Rogers defines a person's Innovativeness as "the degree to which an individual is relatively earlier in adopting new ideas than the other members of social systems."
Rogers sees five adopter groups as differing in their value orientations:

**Innovators are venturesome:** they are willing to try new ideas at some risk.

**Early adopters are guided by respect.** They are opinion leaders in their community, who adopt new ideas early but carefully.

**The early majority is deliberate.** They adopt new ideas before the average persons, although they rarely are leaders.

**The late majority** are skeptical they adopt the new idea only after majority of people have tried it.

Laggards are tradition bound, they are suspicious of changes, and adopt the innovation only because it has now become tradition itself.
Personal influence plays a large role in adoption of new products. According to Katz and Lazarsfeld "women consult each other for opinions about new products, about the quality of different brands, about the shopping economics and the like."
Consumer – Adoption Process:

This describes how potential customers learn about new products, try them adopt or reject them. Understanding this is essential for building effective marketing strategy for early market penetration.

‘Heavy user target marketing’ has advantages over ‘mqss market approach’ in reducing the quantum and wastage of marketing expenditures. However within heavy users there exist different categories of customers who vary in their receptivity towards new appeals.

Theory of innovation diffusion and consumer adoption provides clues to identifying early adopters.

Innovation refers to any good, service or idea that is perceived by some one as new. The idea may have a long history, but it is an innovation to the person who sees it as new.
Innovation takes time to spread through the social system. Rogers defines Diffusion process as “Spread of new idea from its source of invention or creation to its ultimate users or adopters.

The ‘adoption process’ focuses on “the mental process through which an individual passes through from hearing about the innovation to final adoption”.

Adopters of new products have been observed to move through following five stages:

Awareness → Interest → Evaluation → Trial → Adoption

Product characteristics also influence the rate of adoption:

i) Relative advantage.

ii) Compatibility.

iii) Complexity.

iv) Divisibility.

v) Communicability

vi) Initial Cost.
vii) Ongoing cost.
viii) Risk and uncertainty.
ix) Scientific credibility.
x) Social approval.

The new product marketer has to research all these factors and give the key ones maximum attention in designing the new product and marketing program.

Organizations can also be classified as to their readiness to try and adopt a new product:

a) Organizations environment
   - Community progressiveness
   - Community income

Organization itself
   - Size
   - Profits
- Presence for change

b) Administration

- Educational level
- Age
- Cosmopolitieness.

Influences on organization behavior:

Various behavioral influences on Industrial Buyers Behavior reference framework suggested by workshop organized by the American Marketing Association. Which indicate that there are four main influences on organizational buying behavior.

i) Influences within the Purchasing Department

ii) Inter Departmental influences

iii) Inter firm influences

iv) Intra firm influences

v)
### Table 4.5 Influences on organizational buyer behavior

#### Departmental Influences

<table>
<thead>
<tr>
<th>Within Purchasing department</th>
<th>Between departments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cell 1 – Intra-departmental, Intra-organizational influences</td>
<td>Cell 2 – Inter-departmental, Intra-organizational influences</td>
</tr>
<tr>
<td>THE PURCHASING AGENT</td>
<td>THE BUYING CENTRE</td>
</tr>
<tr>
<td>- social factors</td>
<td>- organizational structure</td>
</tr>
<tr>
<td>- price/cost factors</td>
<td>- power/conflict processes</td>
</tr>
<tr>
<td>- supply continuity</td>
<td>- gatekeeper role</td>
</tr>
<tr>
<td>- risk avoidance</td>
<td></td>
</tr>
<tr>
<td>Cell 3 – Intra-departmental, Inter-organizational influences</td>
<td>Cell 4 – Inter-departmental, Inter-organizational influences</td>
</tr>
<tr>
<td>PROFESSIONALISM</td>
<td>ORGANIZATIONAL ENVIRONMENT</td>
</tr>
<tr>
<td>- World-of-mouth communication</td>
<td>- technological change</td>
</tr>
<tr>
<td>- Trade shows, professional journals</td>
<td>nature of suppliers</td>
</tr>
<tr>
<td>- Supplier/purchase reciprocity</td>
<td>co-operative buying</td>
</tr>
</tbody>
</table>

#### The Sheth Model of Industrial Buyer behavior.

The Sheth Model identification three separate aspects of organizational buyer behavior.

i) The Psychological environment of the individual involved in the buying decision.
ii) The conditions which precipitate joint decision making among individuals.

iii) The joint decision making process and the resolution of conflicts among decision makers.

Sheth identifies five factors that influence the Psychological environments of the individuals involved in organizational buying decisions, which may lead to differences in expectations and hence conflicts.

i) Background of the individuals.

ii) Information source.

iii) Active search.

iv) Perceptual distortion.

v) Satisfaction with past purchases

Sheth examines whether the decision then will be 'autonomous' or 'joint'. This depends up on 'Product specific' and 'Company specific' factors. Product specific factors include – Perceived risk,
Type of purchase, and the Time pressure. Company specific factors include company size, the degree of centralization and company orientation.

The possible ways by which the conflicts in the buying process are resolved are:

i) Problem solving
ii) Persuasion
iii) Bargaining
iv) Politicking

4.8 Industrial Selling

There are four popular theirs explaining selling and salesmanship.

i) AIDAS Theory
ii) Right set of circumstances theory
iii) Buying Formula theory
iv) Behavioral equation theory
AIDAS Theory

Attention ➔

Interest ➔

Desire ➔

Action ➔

Satisfaction.

Some support for this theory is found in Psychological writing of William James but there is little doubt that the construct is based upon experimental knowledge and, in fact, was in existence as early as 1898.

According to this theory the prospect goes through these five stages consciously, so the sales presentation must lead the prospect through them in the right sequence if the sale is to result.
i) ‘Right set of circumstances’ theory:

Every thing was right for that sale sums up the second theory had its Psychological origin in experimentation with animals and holds that the particular circumstances prevailing in a given selling situation cause the prospect to respond in a predictable way. More skilled the sales person in handling the set of circumstances, the more predictable is the response.

ii) Buying formula theory:

Here the buyer’s needs or problems receive major attention, and the sales personal role is to help buyer find solutions. This theory purports to answer the question: What thinking process goes on in the prospects mind that causes the decision to buy or not to buy?

The buying formula is the schematic representation of group of responses, arranged in Psychological sequence.
The origin of this theory is obscure, but recognizable versions appear in a number of early books on advertising and selling by authors who had experimental knowledge of salesmanship.

The name Buying formula and step-by-step explanation was given by late E.K. Strong Jr.

1) Need /Problem → Solution → Purchase
2) Need/Problem → Solution → Purchase → Satisfaction
3) Need/Problem→ Product and/or Trade name → Purchase → Satisfaction
   Adequacy    Adequac
4)Need/Problem→ Product and/or Trade name→ Purchase→ Satisfaction
   Pleasant feelings    Pleasant feelings

IV) Behavioral Equation theory:

Using stimulus – response model (a sophisticated version of "right set of circumstances' theory) and incorporating from behavioral research, JA’ Howard explains buying behavior in
terms of the purchasing decision process, viewed as the phases of learning process.

Four essential elements of learning include in the stimulus response model are Drive, Cue, Response and Reinforcement.

i) Drives: are strong internal stimuli that impel the buyer’s response. These are of two kinds
   a) Innate drives
   b) Learned drives

ii) Cues – are weak stimuli that determine when the buyer will respond.

iii) Response is what the buyer does.

iv) A reinforcement – is any event that strengthens the buyer’s tendency to repeat response.
Howard incorporates these form elements into an equation –

\[ B = P \times D \times K \times V \]

Where

\( B \) = Response or internal response tendency, that is the act of purchasing a brand or patronizing a supplier.

\( P \) = Predisposition’s or inward response tendency, that is, force of habit.

\( D \) = Present drive level (Amount of motivation)

\( K \) = “Incentive Potential”, that is the value of the product or its potential satisfaction to the buyer.

\( V \) = Intensity of all cues: triggering, product or informational.

The relation among variables is multiplicative thus, in any independent variable has a zero value, \( B \) will also be zero and hence no response.