Chapter Objectives

- Understanding Marketing Management
- Introduce the concept of Integrated Marketing Communication (IMC)
- Consumer Behaviour
1.1 Understanding Marketing Management

Marketing Management is the practical application of marketing techniques. It is the analysis, planning, implementation, and control of programs designed to create, build, and maintain mutually beneficial exchanges with target markets. The marketing manager has the task of influencing the level, timing, and composition of demand in way that will achieve organizational objectives.

Marketing Management involves:

- Understanding the economic structure of your industry
- Identify segments within your market
- Identify the Marketing strategy which best fits your company
- Identifying your target market
- Marketing research to develop profiles (demographic, psychographic, and behavioral) of core customers
- Understand competitors and their products
- Develop new products
- Establish environmental scanning mechanisms to detect opportunities and threats
- Understand your company's strengths and weaknesses
- Audit your customers' experience of your brand in full
- Develop marketing strategies for each of your products using the marketing mix variables of price, product, distribution, and promotion
- Create a sustainable competitive advantage
- Understand where you want your brands to be in the future, and write marketing plans on a regular basis to help you get there
- Setup feedback systems to help you monitor and adjust the process

Recent changes and future trends in Marketing Management

- was building sales through advertising...
  now build brands through a coordinated integrated marketing strategy that involves all points of contact between the company and the public.
- was short term focus on profitable transactions.....
  now look at Customer's lifetime value.
- was company was the unit of analysis.............
  now the whole value chain is the unit of analysis, meeting the end
  customers' needs.
- was organized by product units...............
  now organized by customer segment.
- was segmented on geographic or demographic variables............... .
  now segmented in depth using all relevant variables, especially
  behavioral variables like usage rate, loyalty, or benefit etc.
- was to focus on capturing new customers............... .
  now emphasis on keeping existing customers.
- was performance measured by financial metrics...........
  now performance measured by financial, strategic, and marketing
  metrics.
- was satisfy shareholders......................... 
  now satisfy all stakeholders.
- was marketing department does the marketing............... .
  now everyone in the company does some marketing
- was individual and hierarchical work structures............... .
  now cross functional teams
- was developing and implementing a marketing plan took
  years..........
  now it takes months (or weeks)

Marketing is the craft of linking the producers (or potential producers) of
a product or service with customers, both existing and potential. It is an
inevitable and necessary consequence of capitalism. However marketing is not
limited to capitalist countries. Marketing techniques are applied in all political
systems, and in many aspects of life. Marketing methods are informed by many
of the social sciences, particularly psychology, sociology, and economics.
Marketing research underpins these activities. Through advertising, it is also
related to many of the creative arts. Successful marketers typically have a
customer orientation or focus.
A **marketing oriented** firm (also called the **marketing concept**, or **consumer focus**) is one that allows the wants and needs of customers and potential customers to drive all the firm's strategic decisions. The firm's corporate culture is systematically committed to creating customer value. In order to determine customer wants, the company usually needs to conduct marketing research. The marketer expects that this process, if done correctly, will provide the company with a sustainable competitive advantage.

This consumer focus can be seen as a process that involves three steps. First customer want are researched, then the information is disseminated though out the firm and products are developed, then finally customer satisfaction is monitored and adjustments made if necessary.

A marketing oriented firm will typically show the following characteristics:

- Extensive use of marketing research.
- Broad product lines.
- Emphasis on a product's benefits to customers rather than on product attributes.
- Use of product innovation techniques.
- The offering of ancillary services like credit availability, delivery, installation, and warranty

The concept of marketing orientation was developed in the late 1960s and early 1970s at Harvard University and at a handful of forward thinking companies. It replaced the previous sales orientation that was prevalent between the mid 1950s and the early 1970s, and the production orientation that predominated prior to the mid 1950s.

The **sales orientation** era ran from the mid 1950's to the early 1970's, and is therefore after the production orientation era but before the marketing orientation era. During World War II world industry geared up for accelerated wartime production and when the war was over this stimulated industrial machine turned to producing consumer products. By the mid 50's supply was starting to out-pace demand in many industries. Businesses had to concentrate on ways of selling their products. Numerous sales techniques such as closing, probing, and qualifying were all developed during this period and the sales
department had an exalted position in a company's organizational structure. Other promotional techniques like advertising, and sales promotions were starting to be taken seriously. Packaging and labeling were used for promotional purposes more than protective purposes. Pricing was usually based on comparisons with competitors (called competitor indexing).

A production orientation dominated business thought from the beginning of capitalism to the mid 1950's. Business concerned itself primarily with production, manufacturing, and efficiency issues. This viewpoint was encapsulated in Says Law which states Supply creates its own demand. To put it another way, If a product is made, somebody will want to buy it. The reason for the predominance of this orientation is there was a shortage of manufactured goods (relative to demand) during this period so goods sold easily.

The implications of this orientation are:
- Product lines were narrow
- Pricing was based on the costs of production and distribution
- Research was limited to technical product research
- Packaging was designed primarily to protect the product
- Promotion and advertising was minimal

For technical and sociological reasons, marketing has dealt with aggregates like market segments, target markets, and demand. They traditionally have used broad and blunt instruments like mass marketing, national advertising, assembly line production, and inferential marketing research. The personal marketing orientation is an attempt to market on a one-to-one basis.

According to this orientation, everyone wants to be treated like an individual, and the fundamental marketing concepts, if taken to the limit would require that product offerings be designed for individual buyers. Customers want products that serve their exact needs. Product innovation, instead of being a process of designing standardized products born from inherent compromises, is transformed into a quest for the perfect match between product and individual buyer.
Until recently, this orientation was not practical. Mass production has traditionally depended on the standardization of goods sold. Today however, we are beginning to see progress in this direction. Computers allow personalized marketing. Flexible manufacturing processes allow mass customization. The Internet allows permission marketing and real-time pricing. This overall process is sometimes referred to as the democratization of goods. In marketing, sustainable competitive advantage is an advantage that one firm has relative to competing firms. It usually originates in a core competency.

1.1.1 What marketing involves

Contrary to the popular conception, marketing is not just about promotion -- it can be divided into four sections, often called the "four Ps" given by McCarthy. They are:

Product - The Product management aspect of marketing deals with the specifications of the actual good or service, and how it relates to the end-user's needs and wants.
Pricing - This refers to the process of setting a price for a product, including discounts.
Promotion - This includes advertising, publicity, word of mouth, and personal selling, and refers to the various methods of promoting the product, brand, or company.
Place or distribution refers to how the product gets to the customer; for example, point of sale placement or retailing.

These four elements are often referred to as the marketing mix. A marketer will use these variables to craft a marketing plan. For a marketing plan to be successful, the mix of the four "P's" must reflect the wants and desires of the consumers in the target market. Trying to convince a market segment to buy something they don't want is extremely expensive and seldom successful. Marketers depend on marketing research to determine what consumers want and what they are willing to pay for. Marketers hope that this process will give them a sustainable competitive advantage. Marketing management is the practical application of this process.
A *Marketing Plan* is a written document that details the actions necessary to achieve a specified marketing objective(s). It can be for a product or service, a brand, or a product line. It can cover one year (referred to as an annual marketing plan), or cover up to five years. A marketing plan may be part of an overall business plan. In general terms, it must:

- Describe and explain the current situation.
- Specify the expected results (objectives).
- Identify the resources that will be needed (including financing, time, and skills).
- Describe the actions that will need to be taken to achieve the objective(s).
- Devise a method of monitoring results and adjusting the plan where necessary.

Most strategic planning methodologies are based on the STP process:

- **Situation** - Where are we right now? How did we get here?
- **Target** - Where do we want to be?
- **Path** - How can we get there?

**General Approaches**

In general terms, there are two approaches to strategic planning:

- **The Industrial Organization Approach**
  - Based on economic theory - deals with issues like competitive rivalry, resource allocation, economies of scale
  - Assumptions - rationality, self interested behaviour, profit maximization
  - Examples - Michael Porter’s five forces model, J. Barney’s resource model

- **The Sociological Approach**
  - Deals primarily with human interactions
  - Assumptions - bounded rationality, satisficing behaviour, profit sub-optimality
  - Examples - the Peter Principle
1.1.1 a) Methodologies

There are two ways of doing strategic planning:

*Strategy as logical incremental steps*

- situation analysis including environmental scanning, internal resource assessment, industry or market research, competitor analysis, and *customer marketing research*
- strategy development including determining vision, mission, objectives, and stratagem generation
- strategic plan including strategy specification and resource allocation implementation, monitoring, adjustment, and control

While there are many variations, most strategic planning processes include:

- Environmental scanning
- SWOT (Strengths, Weaknesses, Opportunities, Threats)
- GTSM (Goals, Targets, Strategies, Measures)

According to Michael Porter's ground breaking 1979 theory, there are *five forces* that influence a firm's competitive strategy. Four forces -- *the bargaining power of customers, the bargaining power of suppliers, the threat of new entrants, and the threat of substitute products* -- combine with other variables to influence a fifth force, the level of competition in an industry. Each of these forces has several determinants:

- The *bargaining power of customers*
  - buyer concentration to firm concentration ratio

- Bargaining leverage
  - buyer volume
  - buyer switching costs relative to firm switching costs
  - buyer information availability
  - ability to backward integrate
  - availability of existing substitute products
- buyer price sensitivity
- price of total purchase

- **The bargaining power of suppliers**
  - supplier switching costs relative to firm switching costs
  - degree of differentiation of inputs
  - presence of substitute inputs
  - supplier concentration to firm concentration ratio
  - threat of forward integration by suppliers relative to the threat of backward integration by firms
  - cost of inputs relative to selling price of the product
  - importance of volume to supplier

- **The threat of new entrants**
  - the existence of barriers to entry
  - economies of scale
  - proprietary product differences
  - brand equity
  - switching costs
  - capital requirements
  - access to distribution
  - absolute cost advantages
  - learning curve advantages
  - expected retaliation
  - government policies

- **The threat of substitute products**
  - buyer propensity to substitute
  - relative price performance of substitutes
  - buyer switching cost
  - perceived level of product differentiation
• The intensity of competitive rivalry
  ▪ power of buyers
  ▪ power of suppliers
  ▪ threat of new entrants
  ▪ threat of substitute products
  ▪ industrial growth
  ▪ industry overcapacity
  ▪ exit barriers
  ▪ diversity of competitors
  ▪ informational complexity and asymetry
  ▪ brand equity
  ▪ fixed cost allocation per value added

Michael Porter\(^1\) has described a category scheme consisting of three general types of strategies that are commonly used by businesses. These three generic strategies are defined along two dimensions: strategic scope and strategic strength. *Strategic scope* is a demand-side dimension (Porter was originally an economist before he specialized in strategy) and looks at the size and composition of the market you intend to target. *Strategic strength* is a supply-side dimension and looks at the strength or core competency of the firm. In particular he identified two competencies that he felt were most important: product differentiation and product cost (efficiency).

Porter simplifies the scheme by reducing it down to the three best strategies. They are cost leadership, differentiation, and market segmentation (or focus). Market segmentation is narrow in scope while both cost leadership and differentiation are relatively broad in market scope.

1.1.1 b) Cost Leadership Strategy

This strategy emphasizes efficiency. By producing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no-frills product that is produced at a relatively low cost and made available to a very large customer base. Maintaining this strategy requires a continuous search for cost
reductions in all aspects of the business. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features.

1.1.1 c) Differentiation Strategy

Differentiation involves creating a product that is perceived as unique. The unique features or benefits should provide superior value for the customer if this strategy is to be successful. Because customers see the product as unrivaled and unequaled, the price elasticity of demand tends to be reduced and customers tend to be more brands loyal. This can provide considerable insulation from competition. However there are usually additional costs associated with the differentiating product features and this could require a premium pricing strategy.

1.1.1 d) Market Segmentation Strategies

In this strategy the firm concentrates on a select few target markets. It is also called a focus strategy or niche strategy. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring the marketing mix to these specialized markets, you can better meet the needs of that target market. The firm typically looks to gain a competitive advantage through effectiveness rather than efficiency. It is most suitable for relatively small firms and has much in common with guerrilla marketing warfare strategies.

Industry or market research is the acquisition of corporate intelligence on a broad range of issues including:

- Macroeconomy
- Market Analysis and Competitor analysis
- Consumer Analysis or Marketing research

Competitor analysis in marketing is an assessment of the strengths and weaknesses of current and potential competitors.

A competitor's media strategy reveals budget allocation, segmentation and targeting strategy, and selectivity and focus. From a tactical perspective, it
can also be used to help a manager implement his/her own media plan. By knowing the competitor's media buy, media selection, frequency, reach, continuity, schedules, and flights, the manager can arrange his/her own media plan so that they do not coincide.

*New competitors*- In addition to analysing current competitors, it is necessary to estimate future competitive threats. The most common sources of new competitors are:

- Companies competing in a related product-market
- Companies using related technologies
- Companies already targeting your prime market segment but with unrelated products
- Companies from other geographical areas and with similar products

The entrance of new competitors is likely when:

- There are high profit margins in the industry
- There is unmet demand (insufficient supply) in the industry
- There are no major barriers to entry
- There is future growth potential
- Competitive rivalry is not intense
- Gaining a competitive advantage over existing firms is feasible

1.1.2 The Value Chain\(^2\) categorizes the generic value-adding activities of an organization. The main activities are: outbound logistics, production, inbound logistics, sales and marketing, maintenance. These activities are supported by: administrative infrastructure management, human resources management, R&D, and procurement. The costs and value drivers are identified for each value activity. The value chain framework quickly made its way to the forefront of management though as a powerful analysis tool for strategic planning. Its ultimate goal is to maximize value creation while minimizing costs.

The concept has been extended beyond individual organizations. It can apply to whole supply chains and distribution networks. The delivery of a mix of products and services to the end customer will mobilize different economic actors, each managing its own value chain. The industry wide synchronized interactions of those local value chains create an extended value chain,
sometimes global in extent. Capturing the value generated along the chain is
the new approach taken by many management strategists. By exploiting the
upstream and downstream information flowing along the value chain the firms
may try to bypass the intermediaries creating new business models.

Value is a term expressing an idea of worth or quality. In a more general
sense, a value is a belief or an attitude towards something. The word value has
different meanings in many different fields.

In marketing, the value of a product is the consumer's expectations of
product quality in relation to the actual amount paid for it. It is often expressed
as the equation: \( \text{Value} = \frac{\text{Quality received}}{\text{Price}} \)
Or alternatively: \( \text{Value} = \frac{\text{Quality received}}{\text{Expectations}} \)

In economics, the value of an object or service is the price it would bring
in a fair, open market; the item's "buying power". This buying power is
determined primarily by the demand for the object relative to supply.

Intrinsic value is value, which is inherent in an object: A gold coin has
intrinsic value because of the gold it contains. Even if its issuing authority (such
as a government) were to fail to honor the coin's value, it would retain the its
properties that make it valuable, such as being shiny, malleble, and pretty.

Extrinsic value is value which arises because of an agreement: Although
the intrinsic value of a rupee100 note is not much more than the value of any
similar piece of paper with a pretty picture on it, it has a practical value (an
extrinsic value) of rupee100. If its issuing authority were to fail to honor the
note's value, it would soon become nearly worthless.

In computer science, a value may be a number, literal string, array and
anything that can be treated as if it were a number. The exact definition of a
value varies across programming languages. In mathematics, a value is a
quantitative value - a constant (number), or a variable.

Personal and cultural values- Each individual has a set of beliefs and
ideas about general concepts that are called values. They describe how much
value a person places on various ideas, objects, or beliefs. Societies have
values that are shared between many of the participants in that culture.

The study of personal and cultural values is typically called axiology.
These values can be grouped into four categories:
- Ethics (good, bad, moral, immoral, amoral)
- Aesthetics (beautiful, ugly, unbalanced, pleasing)
- Doctrine (political, ideological, religious or social beliefs and values)
- Inborn (inborn values such as reproduction and survival, a controversial issue)

Marketing has many legitimate uses including discovering what products people want, informing people about valuable products and services, and generating revenue for charitable organizations. On the other hand however, its techniques have often been used for morally dubious purposes by businesses, governments, and criminals.

Many people feel that marketing, like any other technology, is essentially amoral: it can be used for good or evil, but the technique itself is not amenable to ethical analysis. But there are many critics of modern marketing and management techniques that see a systemic social evil inherent in the discipline (see No Logo or Marxism). Marketing is accused of creating ruthless exploitation of both consumers and workers. It is claimed that it turns people into commodities, objects whose purpose is to consume.

1.2 Integrated Marketing Communication

In the contemporary business world, however, individuals working in marketing, advertising, and other promotional areas are expected to understand and use a variety of marketing communications tools, not just the one in which they specialize. Ad agencies no longer confine their services to the advertising area. Many are involved in sales promotion, public relations areas. Individuals working on the client or advertiser side of the business, such as brand, product, or promotional managers, are developing marketing programs that use a variety of marketing communications methods.

For many years, the promotional function in most companies was dominated by mass media advertisement media advertising. Companies relied primarily on their advertising agencies for guidance in nearly all areas of marketing communication. Most marketers did use additional promotional and marketing communication tools, but sales promotion and direct marketing agencies as
well as package design firms were generally viewed as auxiliary services and often used on a per-project basis. Public relations agencies were used to manage the organization's publicity, image, and affairs with relevant publics on an ongoing basis but were not viewed as integral participants in the marketing communications process.

1.2.1 The Evolution of IMC

During the 1980s, many companies came to see the need for more of a strategic integration of their promotional tools. These firms began moving toward the process of integrated marketing communications (IMC), which involves coordinating the various promotional elements and other marketing activities that communicate with a firm's customer. As marketers embraced the concept of integrated marketing communications, they began asking their ad agencies to coordinate the use of a variety of promotional tools rather than relying primarily on media advertising. A number of companies also began to look beyond traditional advertising agencies and use other types of promotional specialists to develop and implement various components of their promotional plans.

Many agencies responded to the call for synergy among the various promotional tools by acquiring PR, sales promotion, and direct marketing companies and touting themselves as IMC agencies that offer one-step shopping for all of their clients' promotional needs. Some agencies became involved in these non-advertising areas to gain control over their clients' promotional programs and budgets and struggled to offer any real value beyond creating advertising. However, the advertising, orchestration, and seamless communication were used to describe the concept of integration. A task force from the American Association of Advertising Agencies (the "4As") developed one of the first definitions of Integrated Marketing Communications:

_A concept of marketing communications planning that recognizes the added value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines- for example, general advertising, direct response, sales promotion, and public relations- and combines these_
disciplines to provide clarity, consistency, and maximum communications impact.

The 4 As definition focus on the process of using all forms of promotion to achieve maximum communications impact. However, advocates of the IMC concept, such as Don Schultz of Northwestern University, argue for an even broader perspective that considers all sources of brand or company contact that a customer of prospect has with a product or service. Schultz and others note that integrated marketing communications calls for a "big-picture" approach to planning marketing and promotion programs and coordinating the various communication functions. It requires that firms develop a total marketing communications strategy that recognizes how all of a firm's marketing activities, not just promotion, communicate with its customers.

Consumer's perceptions of a company and/or its various brands are a synthesis of the bundle of messages they receive or contacts they have, such as media advertisement, price, package design, direct marketing efforts, publicity, sales promotions, websites, point of purchase displays, and even the type of store where a product or service is sold. Integrated marketing communications seeks to have all of a company's marketing and promotional activates project a consistent, unified image to the marketplace. It calls for a centralized messaging function so that everything a company says does communicate a common theme and positioning.

Many companies have adopted this broader perspective of IMC. They see it as a way to coordinate and manage their marketing communications programs to ensure that they give customers a consistent message about the company / or its brands. For these companies, the IMC approach represents an improvement over the traditional method of treating the various marketing and communication elements as virtually separate activities. However, as marketers become more sophisticated in their understanding of IMC, they recognize that it offers more than just ideas for coordinating all elements of the marketing and communications programs. The IMC approach helps companies identify the most appropriate and effective methods for communicating and building relationships with their customers as well as other stakeholders such as employees, suppliers, investors, interest groups, and the general public.
IMC is one of the "new generation" marketing approaches being used by companies to better focus their efforts in acquiring, and developing relationships with customers and other stakeholders. They have developed communication based marketing model that emphasizes the importance of managing all corporate or brand communications, as they collectively created, maintain, or weaken the customer and stakeholder relationships that drive brand value. Message can originate at three levels - corporate activities, marketing mix activities, and marketing communications - since all of a company's corporate activities, marketing, communications efforts have communication dimensions and play a role in attracting and keeping customers.

At the corporate level, various aspects of a firm's business practices and philosophies, such as its mission, hiring practices, philanthropies, corporate culture, and ways of responding to inquiries, all have dimensions that communicate with customers and other stakeholders and affect relationships.

At the marketing level, companies send messages to customers and other stakeholders through all aspects of their marketing mixes, not just promotion. Consumers make inferences about marketing mixes, not just promotion. Consumers make inferences about performance, pricing, service support, and where and how it is distributed. This requires the integration of the various marketing communication messages and the functions of various promotional facilitators such as ad agencies, public relations firms, sales promotion specialists, package design firms, direct response specialists, and interactive agencies. The goal is to communicate with one voice, look, and image across all the marketing communications functions and to identify and position the company and/or the brand in a consistent manner.

1.2.2 Reasons for the growing importance of IMC

The move toward integrated marketing communications one of the most significant marketing developments that occurred during the 1990s and the shift toward this approach is continuing as we begin the new century. The IMC approach to marketing communications planning and strategy is being adopted by both large and small companies and has become popular among firms marketing consumer products and services as well as business-to-business
marketers. There are a number of reasons why marketers are adopting the IMC approach. A fundamental reason is that they understand the value of strategically integrating the various communication functions rather than having them operate autonomously. By coordinating their marketing communications efforts, companies can avoid duplication, take advantage of synergy among various promotional tools, and develop more efficient and effective marketing communications programs. Advocates of IMC argue that it is one of the easiest ways for a company to maximize the return on its investment in marketing and promotion.

The move to integrated marketing communications also reflects an adoption by marketers to a changing environment, particularly with respect to consumers, technology, and media. Major changes have occurred among consumers with respect to demographics, lifestyles, media use, and buying and shopping patterns. For example, cable TV and more recently digital satellite systems have vastly expanded the number of channels available to households. Some of these channels offer 24-hour shopping networks other contain 30 or 60-minute direct response appeals known as infomercials, which look more like TV shows than ads. Every day more consumers are surfing the Internet's World Wide Web.

Even as new technologies and formats create new ways for marketers to reach consumers, they are affecting the more traditional media. Television, ratio, magazines, and newspapers are becoming more fragmented and reaching smaller and more selective audience. In addition to facing the decline in audience size for many media, marketers are facing the problem of consumers being less responsive to traditional advertising. They recognize that many consumers are turned off by advertising and tired of being bombarded with sales messages. These factors are prompting many marketers to look for alternative ways to communicate with their target audiences; such as making their selling messages part of popular culture. For example, marketers often hire product placement firms to get their brands into TV shows and movies.

The integrated marketing communications movement is also being driven by changes in the ways companies market their products and services. A major reason for the growing importance of the IMC approach is the ongoing
revolution that is changing the rules of marketing and the role of the traditional advertising agency.

**Major characteristics of this marketing revolution include:**

- A shifting of marketing media advertising to other forms of promotion, particularly consumer and trade-oriented sales promotions. Many marketers feel that traditional media advertising has become too expensive and is not cost-effective. Also, escalating price competition in many markets has resulted in marketer pouring more of their promotional budgets into price promotions rather than media advertising.

- A movement away from relying on advertising-focused approaches, which emphasize mass media such as network television and national magazines, to solve communication problems. Many companies are turning to lower-cost, more targeted communication tools such as event marketing and sponsorships, direct mail, sales promotion, and the internet as they develop their marketing communication strategies.

- A shift in marketplace power from manufacturers to retailers. Due to consolidation in the retail industry, regional, national, and international chains are replacing small local retailers; these large retailers are using their clout to demand larger promotional fees and allowances from manufacturers, a practice that often siphons money away from advertising. Moreover, new technologies such as checkout scanners give retailers information on the effectiveness of manufacturers’ promotional programs. This is leading many marketers to shift their focus to promotional programs. This is leading many marketers to shift their focus to promotional tools that can produce short-term result, such as sale Promotion.

- The rapid growth and development of database marketing. Many companies are building database containing customer name; geographic, demographic, and psychographics profiles; purchase patterns; media preferences; credit ratings; and other
characteristics. Marketers are using this information to target consumers through a variety of direct marketing methods such as telemarketing, direct mail, and direct-response advertising, rather than relying on mass media. Advocates of the approach argue that that database marketing is critical to the development and practice of effective IMC.

- Demands for accountability are motivating many agencies to consider a variety of communication tools and less expensive alternatives to mass-media advertising.
- The rapid growth of the Internet, which is changing the very nature of how companies do business and the ways they communicate and interact with consumers. The Internet revolution is well under way, and the Internet audience is growing rapidly. The Internet is an interactive medium that is becoming an integral part of communications strategy, and even business strategy, for many companies.

1.2.3 The Role of Promotion

Promotion has been defined as the coordination of all seller-initiated efforts to set up channels of information and persuasion to sell goods and services or promote an idea. While implicit communication occurs though the various elements of the marketing mix, most of an organization's communications with the marketplace take place as part a carefully planned and controlled promotional program. The basic tools used to accomplish an organization's communication objectives are often referred to as the promotional mix. (Fig1.1)

Traditionally the promotional mix has included four elements; advertising, sales promotion, publicity/public relations, and personal selling. However, in this text we view direct marketing as well as interactive media as major promotional -mix elements that modern -day marketers use to communicate with their target marketers. Each element of the promotional mix is viewed as an integrated marketing communications tool that plays a
distinctive role in an IMC program. Each may take on a variety of forms. And each has certain advantages.

The Promotional MIX

<table>
<thead>
<tr>
<th>Advertising</th>
<th>Direct Marketing</th>
<th>Interactive/Internet Marketing</th>
<th>Sales Promotion</th>
<th>Publicity/Public Relations</th>
<th>Personal Selling</th>
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Fig 1.1
Source: George E. Belch & Michael A. Belch Advertising & Promotion Page: 15

1.2.3.1 Advertising

Advertising is defined as any paid form of nonpersonal communication about an organization, product, service, or idea by an identified sponsor. The paid aspect of this definition reflects the fact that the space or time for an advertising message generally must be bought. An occasional exception to this is the public service announcement (PSA), whose advertising space or the media donates time.

The non-personal component means advertising involves mass media (e.g., TV, radio, magazines, newspapers) that can transmit a message to large groups of individuals, often at the same time. The nonpersonal nature of advertising means there is generally no opportunity for immediate feedback from the message recipient (except in direct-response advertising). Therefore, before the message is sent, the advertiser must consider how the audience will interpret and respond to it.

Advertising is the best-known and most widely discussed form of promotion, probably because of its pervasiveness. It is also a very important promotional tool, particularly for companies whose products and services are targeted at mass consumer markets. More than 130 companies each spend over Rs500 crore a year on advertising in the country every year. There are several reasons why advertising is such an important part of many MARKETERS’ PROMOTIONAL MIXES. First, it can be a very cost-effective method for communicating with large audiences. For example, during the 1999-2000-television season, the average 30-second spot on prime time network television reached nearly 20 million households. The cost per thousand households reached was around Rs900.00.
Advertising can be used to create brand images and symbolic appeals for a company or brand, a very important capability for companies selling products and services that are difficult to differentiate on functional attributes. Another advantage of advertising is its ability to strike a responsive chord with consumers when differentiation across other elements of the marketing mix is difficult to achieve. Popular advertising campaigns attract consumer's attention and can help generate sales. These popular campaigns can also sometimes be leveraged into successful integrated marketing communications programs. The nature and purpose of advertising differ from one industry to another and/or across situations. The targets of an organization's advertising efforts often vary, as do its role and function in the marketing program. One advertiser may seek to generate immediate response or action from the customer; another may want to develop awareness or a positive image for its product or service over a longer period.

Marketers advertise to the consumer market with national and retail/local advertising, which may stimulate primary or selective demand. For business/professional markets, they use business-to-business, professional, and trade advertising.

1.2.3.2. CLASSIFICATIONS OF ADVERTISING

**National Advertising** - Advertising done by large companies on a nationwide basis or in most regions of the country. Most of the ads for well-known companies and brands that are seen on prime-time TV or in other major national or regional media are examples of national advertising. The goals of national advertisers are to inform or remind consumers of the company or brand and its features, benefits, advantages, or uses and to create or reinforce its image so consumers will predisposed to purchase it.

**Retail/Local Advertising** - Advertising done by retailers or local merchants to encourage consumers to shop at a specific store, use a local service, or patronize a particular establishment. Retail or local advertising tends to emphasize specific patronage motives such as price, hours of operation, service, atmosphere, image, or merchandise assortment. Retailers are concerned with building store traffic, so their promotions often take the form of
direct action advertisement designed to promotions often take the form traffic and sales.

**Primary versus Selective Demand Advertising** - Primary demand advertising is designed to simulate demand for the general product class or entire industry. Selective demand advertising focused on creating demand for a specific company's brand s. Most advertising for various products and services is concerned with simulating selective demand and emphasizes reasons for purchasing a particular brand.

An advertiser might concentrate on stimulating primary demand when, for example, its brand dominates a market and will benefit the most from overall market growth. Primary demand advertising is often used as part of a promotional strategy to help a new product gain market acceptance, since the challenge is to sell customers on the product concept as much as to sell a particular brand. Industry trade associations also try to simulate primary demand for their member's products, among them cotton, milk, orange juice, park, and beef.

*Advertisement to business and professional markets*

**Business to business Advertising** - Advertising target at individuals who buy or influence the purchase of industrial goods or services for their companies. Industrial goods are products that either become a physical part of another product (raw material or component parts), are used in manufacturing other goods (machinery), or are used to help a company conduct its business (e.g. office supplies, computers). Business services such as insurance, travel services, and health care are also included in this category.

**Professional Advertising** - Advertising targeted to professionals such as doctors, lawyers, dentist, engineers, or professors to encourage them to use a company's product in their business operations. It might also be used to encourage professionals to recommend or specify the use a company's product by end-users.

**Trade Advertising** - Advertising targeted to marketing channel members such as wholesalers, distributors, and retailers, the goal is to encourage channel members to stock, promote, and resell the manufacturer's branded products to their customers.
1.2.3.3. Direct Marketing

One of the fastest-growing sectors of the economy is direct marketing; in which organization communicate directly with target customers to generate a response and/or a transaction. Traditionally, direct marketing has not been considered an element of the promotional mix. However, because it has become such an integral part of the IMC program of many organizations and often involves separates objectives, budgets, and strategies, we view direct marketing as a component of the promotional mix.

Direct marketing is much more than direct mail and mail-order catalogs. It involves a variety of activities, including database management, direct selling, telemarketing, and direct-response ads through direct-mail, the internet, and various broadcast and print media. One of the major tools of direct marketing is direct-response advertising, whereby a product is promoted through an ad that encourages the consumer to purchase directly from the manufacturer. Traditionally, direct mail has been the primary medium for direct-response advertising, although television and magazines have become increasingly important media. Direct-response advertising and other forms of direct marketing have become very popular over the past two decades, owing primarily to changing lifestyle, particularly the increase in two-income households. This has meant more discretionary income but less time for in-store shopping. The availability of credit cards and toll-free phone numbers has also facilitated the purchase of products from direct-response ads. More recently, the rapid growth of the Internet is fueling the growth of direct marketing. The convenience of shopping through catalogs or on a company's website and placing orders by mail, by phone, or online has led the tremendous growth of direct marketing.

Direct marketing plays a big role in the Integrated marketing communications programs of consumer-product companies and business-to-business marketers. These companies spend large amounts of money each year developing and maintaining databases containing the address and/or phone numbers of present and prospective customers. They use telemarketing to call customers directly and attempt to sell them products and services or
qualify them as sales leads. Marketers also send out direct-mail pieces ranging from simple letters and flyers to detailed broachers, catalogs, and videotapes to give potential customers information about their product samples or target users of competing brands.

1.2.3.4. Interactive/Internet Marketing

As the new millennium begins, we are experiencing perhaps the most dynamic and revolutionary changes of any era in the history of marketing as well as advertising and promotions. These changes are being driven by advances in technology and developments that have led to dramatic growth of communication through interactive media, particularly the Internet. Interactive media allow for a back-and-forth flow of information whereby users can participate in and modify the form and content of the information they receive in real time. Unlike traditional forms of marketing communication such as advertising, which are one-way in nature, these new media allow users to perform a variety of functions such as receive and alter information and images, make inquiries, respond to questions, and of course, make purchases.

In addition to the Internet, interactive media also include CD-ROMs, and interactive television. However, the interactive medium that is having the greatest impact on marketing is the Internet, especially through the component known as the World Wide Web.

While the Internet is changing the ways companies implement their entire business and marketing strategies, it is also affecting their marketing communications programs. Thousands of companies, ranging from large multinational corporations to small local firms, have developed websites to promote their products and services, by providing current and potential customers. Perhaps the most prevalent perspective on the internet is that it is an advertising medium. As many marketers advertise their products and services on the websites of other companies and/or organizations. Actually the Internet is a medium that can be used to execute all the elements of the promotional mix. In addition to advertising on the Web, markers offer sales promotion incentives such as coupons, contests, and sweepstakes online, and
they use the internet to conduct direct marketing, personal selling, and public relations activities more effectively.

While the Internet is a promotional medium, it can also be viewed as a marketing communications tool in its own right. Because of its interactive nature it is a very effective way of communicating with customers. Many companies recognize the advantages of communicating via the internet and are developing Web strategies and hiring interactive agencies specially to develop their websites and make them part of their integrated marketing communications program. However, companies that are using the Internet effectively are integrating their Web strategies with other aspects of their IMC programs. As IMC Perspective media advertising is becoming increasingly important as a way of driving consumers to websites.

1.2.4 Sales Promotion

The next variable in the promotional mix is a sales promotion, which is generally defined as those marketing activities that provide extra value or incentives to the sales force, distributors, or the ultimate consumer and can stimulate immediate sales. Sales promotions are generally broken into two major categories: consumer-oriented and trade-oriented activities.

Consumer oriented sales promotion is targeted to the ultimate user of a product or service and includes coupons, sampling, premium, rebates, contests, sweepstakes', and various point of purchase materials. These promotional tools encourage consumers to make an immediate purchase and thus can stimulate short-term sales. Trade-oriented sales promotion is targeted toward marketing intermediaries such as wholesalers, distributors, and retailers. Promotional and merchandising allowances, price deals, sales contests, and trade shows are some of the promotional tools used to encourage the trade to stock and promote a company's products.

Among many consumer package-goods companies, sales promotion is often 60 to 70 percent of the promotional budget. In recent years many companies have shifted the emphasis of their promotional strategy from advertising to sales promotion. Reasons for the increased emphasis on sales
promotion include declining brand loyalty and increased consumer sensitivity to promotional deals. Another major reason is that retailers have become larger and more powerful and are demanding more trade promotion support from companies.

Promotion and sales promotion are two terms that often create confusion in the advertising and marketing fields. As noted, promotion is an element of marketing by which firms communicate with their customers; it includes all the promotional mix elements we have just discussed. However, many marketing and advertising practitioners use the term more narrowly to refer to sales promotion activities to either consumer or the trade (retailers, wholesalers). In this book, promotion is used in the broker sense to refer to the various marketing communications activities of an organization.

1.2.5 Publicity /Public Relations

Another important component of an Organization's promotional mix is publicity /public relations.

Publicity refers to non-personal communications regarding an Organization, product, service, or idea not directly paid for or run under identified sponsorship. It usually comes in the form of a news story, editorial, or announcement about an Organization and or its products and services. Like advertising, publicity involves non-personal communication to a mass audience, but unlike advertising, publicity involves non-personal communication to a mass audience, but unlike advertising, publicity is not directly paid for by the company. The company or Organization attempts to get the media to cover or run a favorable story on a product. Service, cause, or event to affect awareness, knowledge, opinions, and/or behavior. Techniques used to gain publicity include news releases, press conferences, features, articles, photographs, films, and videotapes.

An advantage of publicity over other forms of promotion is its credibility. Consumers generally tend to be less skeptical towards favorable information about a product or service when it comes from a source they perceive as unbiased. For example, the success (or failure) of a new movie is often determined by the reviews it receives from film critics, who are viewed by many
moviegoers as objective evaluators. Another advantage of publicity is its low cost, since the company is not paying for time or space in a mass medium such as TV., radio, or newspapers. While an Organization may incur some costs in developing publicity items or maintaining a staff to do so, these expenses will be far less than those for the other promotional programs. Publicity is not always under the control of an organization and is sometimes unfavorable. Negative stories about a company and/or its products can be very damaging.

1.2.5.1 Public Relations

It is important to recognize the distinction between publicity and public relations.

When an Organization systematically plans and distributes information in an attempt to control and manage its image and the nature of the publicity it receives, it is really engaging in a function known as public relations. Public relations are defined as "the management function which evaluates public attitudes, identifies the policies and procedures of an individual or organization with the public interest, and executes a program of action to earn public understanding and acceptance." Public relations generally have a broader objective than publicity, as its purpose is to establish and maintain a positive image of the company among its various publics.

Public relations uses publicity and a variety of other tools- including special publications, participation in community activities, fund -raising, sponsorship of special events, and various public affairs activities- to enhance an organization's image. Organizations also use advertising as a public relations tool. Traditionally, publicity and public relations have been considered more supportive then primary to the marketing and promotional process. However, many firms have begun making PR an integral part of their predetermined marketing and promotional strategies. PR firm are increasingly touting public relations as a communications tools that can take over many of the functions of conventional advertising and marketing.
1.2.6 Personal Selling

The final element of an organization’s promotional mix is personal selling, a form of person-to-person communication in which a seller attempts to assist and/or persuade prospective buyers to purchase the company’s product or service or to act on an idea. Unlike advertising, personal selling involves direct contact between buyer and seller, either face-to-face or through some form of telecommunication such as telephone sales. This interaction given the marketer communication flexibility; the see or hear the potential buyers reactions and modify the message accordingly. The personal, individualized communication in personal selling allows the seller to tailor the message to the customer’s specific needs or situation. Personal selling also involves more immediate and precise feedback because the impact of the sales presentation can generally be assessed from the customer’s reactions. If the feedback is unfavorable, the salesperson can modify the message. Personal selling efforts can be targeted to specific markets and customer types that are the best prospects for the company’s product or service.

1.2.7 Promotional Management

In developing a promotional strategy, a company combines the promotional mix elements, balancing the strengths and weakness of each, to produce an effective promotional campaign. Promotional management involves coordinating the promotional mix elements to develop a controlled, integrated program of effective marketing communications. The marketer must consider which promotional tools to use and how to combine them to achieve its marketing and promotional objectives. Companies also face the task of distributing the total promotional budget across the promotional mix elements. What percentage of the budget should they allocate to advertising, sales promotion, direct marketing, and personal selling?

Companies consider many factors in developing their promotional mixes, including the type of product, the target market, the buyer’s decision process, the stage of the product life cycle, and the channels of distribution, companies selling consumer product life cycle, and services generally rely on advertising
through mass media to communicate with ultimate consumers. Business marketers, who generally sell expensive, risky, and often complex products and services, more often use personal selling. Business-to-business marketers such as Honeywell do use advertising to perform important functions such as building awareness of the company and its products, generating leads for the sales force. And reassuring customers about the purchase they have made.

Conversely, personal selling also plays an important role in consumer product marketing. A consumer-goods company retains a sales force to call on marketing intermediaries (wholesalers and retailers) that distribute the product or service to the final consumer. While the company sales reps do not communicate with the ultimate consumer, they make an important contribution to the marketing effort by gaining new distribution outlets for the company's product, securing shelf position and space for the brand, informing retailers about advertising and promotion efforts to users, and encouraging dealers to merchandise and promote the brand at the local market level.

Advertising and personal selling efforts vary depending on the type of market being sought, and even firms in the same industry may differ in the allocation of their promotional efforts. Firms also differ in the relative emphasis they place on advertising and sales promotion. Companies selling high-quality brands use advertising to convince consumers of their superiority, justify their higher prices, and maintain their image. Brands of lower quality, or those that are hard to differentiate often complete more on price or "value for the money" basis and may rely more on sales promotion to the trade and/or to consumers.

The marketing communications program of an organization is generally developed with a specific purpose in mind and is the end product of a detailed marketing and promotional planning process.

1.2.7.1. The Promotional Planning Process

As with any business function, planning plays a fundamental role in the development and implementation of an effective promotional program. The individuals involved in promotion design a promotional plan that provides the framework for the developing, implementing, and controlling the organizations integrated marketing communications programs and activities. Promotional
planners must decide on the role and function of the specific elements of the promotional mix, develop strategies for each element, and implement the plan. Promotion is but one part of, and must be integrated into, the overall marketing plan and program. A model of the IMC planning process is shown in Fig 1-2.

Review of the Marketing Plan

The first step in the IMC planning process is to review the marketing plan and objectives. Before developing a promotional plan, marketers must understand where the company (or the brand) has been, its current position in the market, where it intends to go, and how it plans to get there. Most of this information should be contained in the marketing plan, a written document that describes the overall marketing strategy and programs developed for an organization, a particular product line, or a brand. Marketing plans can take several forms but generally include five basic elements:

- A detailed situation that consists of an internal marketing audit and review and an external analysis of the market competition and environmental factors.
- Specific marketing objectives that provide direct, time frame for marketing activities, and a mechanism for measuring performance.
- A marketing strategy and program that include selection of target market(s) and decisions and plans for the four elements of the marketing mix.
- A program for implementing the marketing strategy. Including determining specific tasks to be performed and responsibilities.
- A process for monitoring and evaluating performance and providing feedback so that proper control can be maintained and any necessary changes can be made in the overall marketing strategy or tactics.

For most firms, the promotional plan is an integral part of the marketing strategy. Thus, the promotional planners must know the roles advertising and other promotional mix elements will play in the overall marketing program. The promotional plan is developed similarly to the marketing plan and often uses its detailed information. Promotional planners focus on information in the marketing plan that is relevant to the promotional strategy.
Review of Marketing Plan
Examine overall marketing plan objectives
Role of advertising and promotions
Competitive analysis:
Assess environmental influences

Analysis of Promotional Program Situation
Internal analysis
Promotional development
Organization
Firm's ability to implement
Promotional program
Agency evolution and selection
Review of previous program
Results.

Analysis of Communication Process
Analyze source, message, channel factors
Establish communications goals and objectives

Monitor evaluate, and control integrated marketing communications program

Exhibit 1.1
Source: (Page no 28 George E. Belch & Michael A. Belch)
Budget Determination
Set tentative marketing communication budget:
Allocation tentative budget

Develop Integrated Marketing Communications Program

Advertising
- Set Advertising Objective
- Set Advertising budget
- Develop advertising message
- Develop advertising media strategy

Direct marketing
- Set direct marketing budget
- Determine direct marketing budget
- Develop direct marketing message
- Develop direct media Strategy

Interactive/internet marketing
- Set interactive/internet marketing objectives
- Determine interactive/internet marketing budget
- Develop interactive/internet message
- Develop interactive/Internet media Strategy

Sales Promotion
- Determine sales promotion objectives
- Determine sales promotion tools and develop messages
- Develop sales promotion media strategy

Public relations/publicity
- Set PR/publicity objectives
- Determine PR/Publicity budget
- Determine PR/Publicity messages
- Develop PR/publicity media strategy

Personal selling
- Set personal selling and sales objective
- Determine personal selling/sales budget
- Develop sales message
- Develop selling roles and Responsibilities

Integrated and implement Marketing Communications Strategies
- Integrate promotional mix strategies
- Create and produce ads
- Purchase media time, space, etc.
- Design and implement direct marketing program
- Design and distribute sales promotion materials
- Design and implement public relations/publicity programs
- Design and implement interactive/Internet marketing programs

Monitor, Evaluate, and Control Integrated Marketing Communications Program
- Evaluate promotional program results/effectiveness
- Take measures to control and adjust promotional strategies
This model consists of four major components; the organization's marketing strategy and analysis, the target process, the marketing planning program development (which includes the promotional mix), and the target market. As the model shows, the marketing process begins with the development of a marketing strategy and analysis in which the company
decides the product or service areas and particular markets where it wants to complete. The company must then coordinate the various elements of the marketing mix into a cohesive marketing program that will reach the target market effectively. Note that a firm's promotion program is directed not only to the final buyers but also to the channel or "trade" members that distribute its products to the ultimate consumer. These channel members must be convinced there is a demand for the company's products so they will carry them and will aggressively merchandise and promote them to consumers. Promotions play an important role in the marketing program for building and maintaining demand not only among final consumers but among the trade as well.

As noted, all elements of the marketing mix—price, product, distribution, and promotions—must be integrated to provide consistency and maximum communications impact. Development of a marketing plan is instrumental in achieving this goal.

1.2.8 Target Market Selection

After evaluating the opportunities presented by various market segments, including a detailed competitive analysis, the company may select one, or more, as target market. This target market becomes the focus of the firm's marketing efforts, and goals and objectives are set according to where the company wants to be and what it hopes to accomplish in this market. As these goals and objectives are set in terms of specific performance variables such as sales, market share and profitability. The selection of the target market (or markets) in which the firm will compete is an important part of its marketing strategy and has direct implications for its advertising and promotional efforts.

Recall from our discussion of the integrated marketing communications-planning program that the situation analysis is conducted at the beginning of the promotional planning process. Specific objectives—both marketing and communications—are derived from the situation analysis, and the promotional mix strategies are developed to achieve these objectives. Marketers rarely go after the entire market with one product, brand, or service offering, rather, they pursue a number of different strategies, breaking the market into segments and
targeting one or more of these segments for marketing and promotional efforts. This means different objectives may be established, different budget may be used, and the promotional mix strategies may very, depending on the approach used.

1.2.8.1 The Target Marketing Process

Because few, if any products can satisfy the needs of all consumers, companies often develop different marketing strategies to satisfy different consumer needs. The process by which marketers do this (presented in Figure 2-1) is referred to as target marketing and involves four basic steps; identifying markets with unfulfilled needs, segmenting the market, targeting specific segments, and positioning one’s product or service thought marketing strategies.

Identifying Markets

When employing a target marketing strategy, the marketer identifies the specific needs of groups of people (or segments), selects one or more of these segments as target, and develops marketing programs directed to each. This approach has found increased applicability in marketing for a number of reasons, including changes in the market (consumers are becoming much more diverse in their needs, attitudes, and lifestyles); increased use of segmentation by competitors; and the advantages associated with this strategy.

Figure 2-1 The target marketing process

| Identifying Market with unfulfilled Needs | Determining Market Segmentation | Selecting a Market to target | Positioning Through Marketing Strategies |

Exhibit 2.1 The TMP

Target market identification isolates consumer with similar lifestyles, needs, and the like, and increases our knowledge of their specific requirements. The more marketers can establish this common ground with consumers, the more effective they will be in addressing these requirements in their communications programs and informing and/or persuading potential consumers that the product or service offering will meet their needs.
Marketers competing in nearly all product and service categories are constantly searching for ways to segment their markets in an attempt to better satisfy customer's needs.

*Market Segmentation*

It is not possible to develop marketing strategies for every consumer. Rather, the marketer attempts to identify board class of buyers who have the same needs and will respond similarly to marketing actions. As noted by Eric N. Berkowitz, Roger A. Kerin, and William Rudelius, *market segmentation is "dividing up a market into distinct groups that (1) have common needs and (2) will respond similarly to a marketing action."

The segmentation process involves five distinct steps:

- Finding ways to group consumers according to their needs.
- Finding ways to group the marketing actions- usually the products offered available to the organization.
- Developing a market – product grid to relate the market segments to the firm’s products or actions.
- Selecting the target segments toward which the firm directs its marketing actions.
- Taking marketing actions to reach target segments.

The more marketers segment the market, the more precise is their understanding of it, but the more the market becomes divided, the fewer consumers are in each segment. Thus, a key decision is, How far should one go in the segmentation process? Where does the process stop?

The following section discusses some of the bases for segmenting markets.

*Bases for Segmentation*

*Geographic Segmentation*

In the geographical segmentation approach, markets are divided into different geographic units. These unites may include nations, status, counties, or even neighborhoods. Consumer often has different buying habits depending on where they reside.
Demographic Segmentation

Dividing the market on the basis of demographic variables such as age, sex, family size, education, income, and social class is called demographic segmentation. Although market segmentation on the basis of demographics may seem obvious, companies sometimes discover that they need to focus more attention on a specific demographic group. While demographics may still be the most common method of segmenting markets, it is important to recognize that other factors may be the underlying basis for homogeneity and/or consumer behavior. The astute marketer will identify additional bases for segmentation and will recognize the limitations of demographics.

Psychographic Segmentation

Dividing the market on the basis of personality and/or lifestyles is referred to as psychographic segmentation. While there is some disagreement as to whether personality is a useful basis for segmentation, lifestyle factors have been used effectively. Many consider lifestyle the most effective criterion for segmentation.

The determination of lifestyles is usually based on an analysis of the activities, interests, and then correlated with the consumer's product, brand, and/or media usages. For many products and/or services, lifestyle may be the best discriminator between use and nonuse, accounting for differences in food, clothing, and car selection, among numerous other consumer behaviors.

Psychographic segmentation has been increasingly accepted with the advent of the values and lifestyles (VALS) program. Although marketers employed lifestyles segmenting long before VALS and although a number of alternatives— for example, PRIZM — are available, VALS remains one of the more popular options. Developed by the Standard Research institute (SRI), VALS has become a very popular method for applying lifestyle segmentation. VALS2 divides into eight lifestyle segments that exhibit distinctive attitudes, behaviors, and decision-making patterns. The VALS2 system is an excellent predictor of consumer behaviors.

Behaviour Segmentation dividing consumers into groups according to their usage, loyalties, or buying responses to a product is behavioristic segmentation. For example, product or brand usage, degree of use (heavy
versus light), and/ or brand loyalty is combined with demographic and/or psychographic criteria to develop profiles of market segments. In the case of usage, the marketer assumes that non purchaser of a brand or product who have the same characteristics as purchasers hold greater potential for adoption than nonusers with different characteristics. A profile (demographic or psychographic) of the user is developed, which serves as the basis for promotional strategies designed to attract new users. For example, teenagers share certain similarities in their consumption behaviors.

Degree of use relates to the fact that a few consumers may buy a disproportionate amount of many products or brands. Industrial marketers refer to the 80-20 rule, meaning 20 percent of their buyers account for 80 percent of their sales volume. Again, when the characteristics of these users are identified. Targeting them allows for a much greater concentration of efforts and less wasted time and money. The same heavy-half strategy is possible in the consumer market as well.

**Benefit Segmentation** In purchasing product, consumers are generally trying to satisfy specific needs / or wants. They are looking for products that provide specific benefits to satisfy these needs. The grouping of consumers on the basis of attributes sought in a product is known as benefit segmentation and is widely used.

Consider the purchase of a wristwatch. While you might buy a watch for particular benefits such as accuracy, water resistance, or stylishness; others may seek a different set of benefits. Watches are commonly given as gifts for birthdays, Christmas, and graduation. Certainly some of the same benefits are considered in the purchase of gift, but the benefits the purchaser drives are different from those the user will obtain. Ads that portray watches as good gifts stress different criteria to consider in the purchase decision. The next time you see an ad or commercial for a watch, think about the basic appeal and the benefits it offers.

**1.2.8.2 The process of segmenting a market**

The segmentation process develops over time and is an integral part of the situation analysis. It is in this stage that marketers attempt to determine as much as they can about the market; what needs are not being fulfilled? What
benefits are being sought? What characteristics distinguish among the various groups seeking these products and services? A number of alternative segmentation strategies may be used. Each time a specific segment is identified; additional information is gathered to help the marketer understand this group.

For example, once a specific segment is identified on the basis of benefits sought, the marketer will examine lifestyle characteristics and demographics to help characterize this group and to further its understanding of this market. Behaviorist segmentation criteria will also be examined.

After completing the segmentation analysis, the marketer moves to the third phase shown in Figure 2-2: targeting a specific market.

Selecting a Target Market

The outcome of the segmentation analysis will reveal the market opportunities available. The next phase in the target marketing process involves determining how many segments to enter and which segments offer the most potential. Three market coverage alternatives are available. Undifferentiated marketing involves ignoring segment differences and offering just one product or service to the entire market.

For example, when MARUTI brought out the first assembly-line automobile, all potential consumers were offered the same basic product: a MARUTI SUZUKI 800 compact car. While this standardized strategy saves the company money, it does not allow the opportunity to offer different versions of the product to different markets. Differentiated marketing involves marketing in a number of segments, developing separate marketing strategies for each. The ads of "MARUTI ALTO" AND "BALENO" reflect this strategy. While an undifferentiated strategy offers reduced costs through increased production, it does not allow for variety of tailoring to specific needs. Through differentiation, products- or advertising appeals- may be developed for the various segments, increasing the opportunity to satisfy the needs and wants of various groups.

The third alternative, concentrated marketing, is used when the firm selects one segment and attempts to capture a large share of this market.
MARUTI used this strategy in the 80S when it was the only major automobile company competing in the economy -car segment.

Determining Which Segments offer Potential: The second step in selecting a market involves determining the most attractive segment. The firm must examine the sales potential of the segment, the opportunities for growth, the competition, and its own ability to compete. Then it must decide whether it can market to this group. After selecting the segments to target and determining that it can compete, the firm proceeds to the final step-in Figure 2-2 : the market positioning phases.

1.2.9 Market Positioning

Positioning has been defined as "the art and science of fitting the product or service to one or more segments of the board market in such a way as to set it meaning fully apart from competition." As one can see, the position of the product, service, or even store is the image that comes to mind and the attributes consumers perceive as related to it. This communication occurs through the message itself, which explains these benefits, as well as the media strategy employed to reach the target group. Take a few moments to think about how some products are positioned and how their positions are conveyed to us. For example, what’s comes to mid when we hear the name Mercedes, Bentley?

Approaches to Positioning

Positioning strategies generally focus on either the consumer or the competition. While both approaches involve the association of product benefits with consumer needs, the former does so by linking the product with the benefits the consumer will derive or creating a favorable brand image. The latter approach positions the product by comparing it and the benefit it and the benefit it offers with the competition.

Many advertising practitioners consider market positioning the most important factor in establishing a brand in the marketplace. David Aaker and John Myers note the term position has recently been used to indicate the brands or products image in the marketplace. Jack Trout and A.L Ries suggest that this brand image must contest with competitors. They say," in today's
marketplace, the competitors' image is just as important as our own. Sometimes more important," Thus, positioning, relates to the image of the product and or brand relative to competing products or brands. The position of the product or brand is the key factor in communicating the benefits it offers and differentiating it from the competition. Let us now turn to strategies marketers use to position a product.

### 1.2.9.1 Developing a Positioning Strategy

A number of positioning strategies might be employed in developing a promotional problem. David Aaker and J. Gary Shan by discuss six such strategies; positioning by product attributes, price/quality, use, product class, users, and competitor. Aaker and Myers add one more approach, positioning by culture symbols.

**Positioning by product attributes and Benefits:** A common approach to positioning is setting the brand apart from competitors on the basis of the specific characteristics or benefits offered. Sometimes a product may be positioned on more than one product benefit. Marketers attempt to identify salient attributes (those that are important to consumers and are the basis for making a purchase decision). For example, when Apple first introduced its computers, the key benefit stress was ease of use an effective strategy, given the complexity of computers in the market at that time.

**Positioning by price/Quality:** Marketer often use price / quality characteristics to position their brands. One way they do it is with ads that reflect the image of a high quality brand where cost, while not irrelevant, is considered secondary to the quality benefits derived from using the brand. Premium brands positioned at the high-end market use this approach to positioning.

Another way to use price / quality characteristics for positioning is to focus the quality or value or value offered by the brand at a very competitive price.

**Positioning by use or Application**

Another way to communicate a specific image or position for a brand is to associate it with a specific use or application. While this strategy is often
used to enter a market based on a particular use or application, it is also an effective way to expand the usage of a product.

*Positioning by product Class*

Often the competition for a product comes from outside the product class. Manufacturers of music CDs must compete with the cassette industry; many cheese position them against butter.

*Positioning by product User*

Positioning a product by associating it with particular user or group users is yet another approach.

*Positioning by Competitor*

Competitors may be as important to positioning strategy as a firm's own product or services. As Trout and Ries observe, the old strategy of ignoring one's competition no longer works. (Advertisers used to think it was a cardinal sin to mention a competitor in their advertising.) in today's market, an effective positioning strategy for a product or brand may focus on specific competitors. This approach is similar to positioning by product class, although in this case the competition is with in the same product category. When positioning by competitor, a marketer must often employ another positioning strategy as well to differentiate the brand.

*Positioning by Cultural Symbols*

Aaker and Myers include an additional positioning strategy in which culture symbols are used to differentiate brands. Each of these symbols has successfully differentiated the product it represents from competitors'.

*Repositioning*

One final positioning strategy involves altering or changing a product's or brands position. Repositioning a product usually occurs because of declining or stagnant sales or because of declining or stagnant sales or because of anticipated opportunities in other market positions. Repositioning is often difficult to accomplish because of entrenched perceptions about and attitudes toward the product or brand. Many companies' attempts to change their positions have met with little or no success.
1.2.10 Determining the Positioning strategy

Having explored the alternative positioning strategies available, the marketer must determine which strategy is best suited for the firm or product and begins developing the positioning platform. As you remember from the promotional planning process in Essentially, the development of a positioning platform can be broken into a six step process:

1. **Identifying competitors.** This process requires broad thinking. Competitors may not be just those products and/or brands that fall into your product class or with which you compete directly. The marketer must consider all likely competitors, as well as the various effects of use and situations on the consumer.

2. **Assessing consumers perceptions of competitors.** Once we define the competition, we must determine how consumers perceive them. Which attributes are important to consumers in evaluating a product and/or brand? As you might expect, for many products, they consider a wide variety of attributes or product benefits—most if not all of which are important. Much of marketing firm’s research is directed at making such determinations. Consumers asked to take part in focus groups and/or complete surveys indicating which attributes are important in their purchase decisions. For example, attributes considered important in the selection of a bank may include convenience, teller friendliness, financial security, and a host of other factors. This process establishes the basis for determining competitive positions.

3. **Determining competitor’s positions.** After identifying the relevant attributes and their relative importance to consumers, we must determine how each competitor (including our own entry) is positioned with respect to each attribute. Consumer research is required to make this assessment.

4. **Analyzing the consumer’s preferences.** Our discussion of segmentation noted various factors that may distinguish among groups of consumers, including lifestyles, purchase motivations, and demographic differences. Each of these segments may have way to determine these differences is to consider the ideal brand or product or bands or product, defined as
the object the consumer would prefer over all others, including objects that can be imagined but do not exist, identify segments with similar or the same ideal points.

5. Making the positioning decision. Going through the first four steps should let us decide which position to assume in the marketplace. Such a decision is not always clear and well defined, however, and research may prove only limited input. In that case, the marketing manager or groups of managers must make some subjective judgments.

6. Monitoring the position. Once a position has been established, it is essential to maintain the position in marketplace over a longer period of time.

1.3. Consumer Behaviour

Management is the youngest of sciences and oldest of arts and consumer behaviour in management is a very young discipline. Various scholars and academicians concentrated on it at a much later stage. It was
during the 1950s, that marketing concept developed, and thus the need to study the behaviour of consumers was recognized. Marketing starts with the needs of the customer and ends with his satisfaction. When everything revolves round the customer, then the study of consumer behaviour becomes a necessity. It starts with the buying of goods. Goods can be bought individually, or in groups. Goods can be bought under stress (to satisfy an immediate need), for comfort and luxury in small quantities or in bulk. For all this, exchange is required. This exchange is usually between the seller and the buyer. It can also be between consumers.

Traditional consumer theory is based on rather strange assumptions when it comes to explaining processes of long-term change. It is founded on the view that households have stable preferences for certain market goods and maximize a utility function assuming perfect information.

Accordingly, individual behaviour only depends on relative prices and income. For any given set of prices and income, there is exactly one consumption optimum the household chooses and maintains over time. Consumption can only be changed by altering prices or income, the new optimum again being determined by the individual preferences. This approach takes no account of time, history, transaction costs or the institutional framework; moreover, no endogenous change or social feedback occurs. Not surprisingly, the traditional neoclassical analysis and evaluation of policy instruments to attain environmental goals appears to be one-sided. Environmental policy recommendations are focused on, how to get the prices right", either by taxes, tradable permits or liability law.

The general advantages of these market-based instruments – cost efficiency, incentives to innovation – are indisputable. However, the drawback of this approach is that it seems impossible to achieve sustainable consumption patterns exclusively via governmental interventions in relative prices. As previous experience shows, the political implementation of, for instance, environmental taxes are rather difficult. Distributional conflicts and political resistance usually result in tax rates, which are too low to induce a fundamental change in consumer behaviour.
Moreover, neoclassical economics involves a normative cost-benefit analysis that appears inappropriate for long-term processes of behavioural change. According to this approach, the reduction of negative externalities leads to benefits, whereas costs result from the distortions caused by state interventions. If current consumer choices reflect the welfare optimum with given preferences, policy instruments designed to change individual behaviour will inevitably lead to utility losses and/or abatement costs at the individual level. Starting from such a theoretical framework, policy instruments supposed to induce a fundamental change in consumption patterns will cause huge welfare losses even in the long run.

During the past few decades, a shift away from the narrow view of traditional neoclassical economics has taken place in the theoretical foundations of microeconomics in general and household behaviour in particular. Firstly, there is the new consumer theory with its central notion of household production (Michael and Becker 1973), Lancaster (1966b). Secondly, there is the concept of bounded rationality questioning the view of households as perfectly informed maximizers and serving as a starting-point for analyzing the role of the institutional framework in guiding individual behaviour. Finally, there are evolutionary theories of technological and social change incorporating innovation, learning and preference evolution into economic analysis.

Consumer behaviour thus can be defined as the decision-making process and physical activity involved in acquiring, evaluating, using and disposing of goods and services.

This definition clearly brings out that it is not just the buying of goods/services that receives attention in consumer behaviour but the process starts much before the goods have been acquired or bought. A process of buying starts in the minds of the consumer, which leads to the finding of alternatives between products that can be acquired with their relative advantages and disadvantages. This leads to internal and external research. Then follows a process of decision-making for purchase and using the goods, and then the post purchase behaviour which is also very important, because it gives a clue to the marketers whether his product has been a success or not.

To understand the likes and dislikes of the consumer, extensive consumer
research studies are being conducted. These researches try to find out:

- What the consumer thinks of the company's products and those of its competitors?
- How can the product be improved in their opinion?
- How the customers use the product?
- What is the customer's attitude towards the product and its advertising?
- What is the role of the customer in his family?

1.3.1 Consumer research

A market comes into existence because it fulfills the needs of the consumer. In this connection, a marketer has to know the framework for consumer research. The following key questions should be answered for consumer research.

- Who participates in buying? Parent, Child, Male, Female, relatives, peers, others.
- Who constitutes the market? Occupants, Objects, Organizations.
- How does the market buy? Cash, Credit, Mail-order etc.
- When does the market buy? Occasions, Monthly, Weekly etc.
- What does the market buy? Quantity, size, usage.
- Where does the market buy? Outlet, Supermarket, Retail store etc.
- Why does the market buy? Reasons, utility, etc.

**Positivism**

A consumer behavior research approach that regards the consumer behavior discipline as an applied marketing science.

**Interpretivism**

A postmodernist approach to the study of consumer behavior that focuses on the act of consuming rather than on the act of buying.

**Comparisons between Positivism and Interpretivism**

<table>
<thead>
<tr>
<th>Positivism</th>
<th>Interpretivism</th>
</tr>
</thead>
<tbody>
<tr>
<td>PURPOSE</td>
<td>PURPOSE</td>
</tr>
<tr>
<td>Prediction of consumer actions</td>
<td>Understanding consumption practices</td>
</tr>
</tbody>
</table>
**METHODOLOGY**

Quantitative

**ASSUMPTIONS**

- Rationality; consumers make decisions after weighing alternatives.
- The causes and effects of behavior can be identified.
- Individuals are problem solvers.
- A single reality exists.
- Events can be objectively measured.

Quantitative

- No single, objective truth.
- Reality is subjective.
- Cause and effect cannot be isolated.
- Each consumption experience is unique.
- Researcher/respondent interactions affect research findings

**FIG.3.1 THE CONSUMER RESEARCH PROCESS**

[Diagram showing the research process with steps for both qualitative and quantitative methods, including develop objectives, collect secondary data, design qualitative research, conduct research (using highly trained interviewers), analyze data (subjective), and prepare report. Similarly, for quantitative research, design qualitative research, collect primary data (usually by field staff), analyze data (objective), and prepare report.]
Thus consumer behaviour is a complex, dynamic, multidimensional process, and all marketing decisions are based on assumptions about consumer behaviour.

Figure 3.2 gives in detail the shaping of consumer behaviour, which leads a consumer to react in certain ways and he makes a decision, keeping the situations in mind. The process of decision-making varies with the value of the product, the involvement of the buyer and the risk that is involved in deciding the product/service.

![Diagram of consumer behaviour]

Source: Matin Khan: Consumer behaviour

**Fig. 3.2** A simplified framework for studying consumer behaviour.

The figure above shows the consumer lifestyle in the center of the circle. The consumer and his lifestyle are influenced by a number of factors shown all around the consumer. These are culture, subculture, values, demographic factors, social status, reference groups, household and also the
internal make up of the consumer, which are a consumers' emotions, personality motives of buying, perception and learning. Consumer is also influenced by the marketing activities and efforts of the marketer. All these factors lead to the formation of attitudes and needs of the consumer.

Then follows the process of decision-making, as shown in the rectangle, which consists of the problem recognition, information search (which is both internal and external) then the evaluation and selection procedure, and finally the purchase. After the purchase and use of the product the customer may be satisfied or dissatisfied with the product. This is known as post-purchase behaviour. The existing situations also play an important role in the decision-making process.

1.3.1 MARKET ANALYSIS

Market analysis requires an understanding of the 4-Cs which are consumer, conditions, competitor and the company. A study is undertaken to provide superior customer value, which is the main objective of the company. For providing better customer value we should learn the needs of the consumer, the offering of the company, vis-a-vis its competitors and the environment which is economic, physical, technological, etc.

A consumer is anyone who engages himself in physical activities, of evaluating, acquiring, using or disposing of goods and services.

A customer is one who actually purchases a product or service from a particular organization or a shop. A customer is always defined in terms of a specific product or company.

However, the term consumer is a broader term, which emphasizes not only the actual buyer or customer, but also its users, i.e. consumers. Sometimes a product is purchased by the head of the family and used by the whole family, i.e. a refrigerator or a car. There are some consumer behaviour roles, which are played by different members of the family.

<table>
<thead>
<tr>
<th>Role</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>Initiator</td>
<td>The person who determines that some need or want is to be met. (e.g. a daughter indicating the need for a colour TV).</td>
</tr>
<tr>
<td>Influencer</td>
<td>The person or persons who intentionally, or unintentionally</td>
</tr>
</tbody>
</table>
influence the decision to buy or endorse the view of the initiator.

**Buyer**
The person who actually makes a purchase

**User**
The person or persons who actually use or consume the product.

All the consumer behaviour roles are to be remembered but the emphasis is on the buyer whose role is overt and visible.

(a) The Consumer
To understand the consumer; researches are made. Sometimes motivational research becomes handy to bring out hidden attitudes, uncover emotions and feelings. Many firms send questionnaires to customers to ask about their satisfaction, future needs and ideas for new products. On the basis of the answers received, changes in the marketing mix are developed.

(b) The External Analysis (Company)
The external analysis may be done by the feedbacks from the industry analyst and by marketing researches. The internal analysis is made by the firm's financial conditions, the quantum of the sales, force and other factors within the company.

The study of these factors leads to a better understanding of the consumer and his needs.

1. Geography
2. Population
3. Urban-Rural
4. Sex
5. Age factor
6. Literacy level
7. Incentive level
8. Linguistic diversity
9. Religion
10. Dress, eating habits
11. Habits and fashion
12. Living Style

Exhibit 1.3 Characteristic features of Indian consumer.
(e) The Competition

In the analysis of the market, a study of the strengths and weaknesses of the competitors, their strategies, their anticipated moves and their reaction to the companies' moves and plans is to be made. The company after getting this information, reacts accordingly and changes its marketing mix and the offering is made in a manner which can out do the competitor. This is a very difficult process and it is easier said than done. To have correct information about the competitors and to anticipate their further moves is the job of the researcher.

(d) The Conditions

The conditions under which the firms are operating has also to be seriously considered. The factors to be studied are the economy, the physical environment, the government regulations, the technological developments, etc. These effect the consumer needs, i.e. the deterioration of the environment and its pollution may lead to the use and innovation of safer products. People are health conscious and are concerned with their safety. Hence, in this case, safer products have a better chance with the consumer. In case of recession, the flow of money is restricted greatly. This leads to the formulation of different marketing strategies.

(e) Market Segmentation

The market is divided into segments, which are a portion of a larger market, whose needs are similar and, they are homogeneous in themselves. Such segments are identified with similar needs.

(f) Need Set

By need set, it is meant that there are products, which satisfy more than one need. An automobile can fill the transportation needs, status need, fun needs or time saving needs. So the company tries to identify the need sets, which its product can fulfill. Then we try to identify the groups who have similar needs, i.e. some people need economical cars, and others may go for luxury cars.

(g) Demographic and Psychographics Characteristics

These groups are identified and they are described in terms of their demographic and psychographics characteristics. The company finds out how and when the product is purchased and consumed.
(h) Target Segment

After all the above preliminary work is done, the target customer group known as the target segment is chosen, keeping in mind how the company can provide superior customer value at a profit. The segment, which can best be served with the company's capabilities at a profit, is chosen. It has to be kept in mind that different target segments require different marketing strategies and, with the change in the environmental conditions the market mix has to be adjusted accordingly.

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4. George E. Belch & Michael A. Belch IMC and its Perspective Page no: 42
7. Further references Refer on page no. 309 of the present Thesis.