CHAPTER - IV

________________IDEATIONAL

APPROACH OF

MARKETING STRATEGIES
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4.1 INTRODUCTION

Marketing plays considerably an important role in the development strategy of a country. Marketing as a business function and economic activity plays an interactive role in relation to the economic development of a country. It is both influenced by and in turn influences the stages of economic development. The process of economic development is broadly composed of three stages, viz., primary, secondary and tertiary. These are respectively characterized by agricultural, industrial and technological orientations of business and economic activities. However, the state of marketing exhibits dynamism as an economy travels through different stages of economic development. In the primary stage, marketing occupies an innocuous position whereas in the secondary stage, first, it is production-oriented and later promotion and consumer-oriented. In the tertiary stage, however, consumer orientation paves the way for business orientation in which a company attempts to restructure consumer preferences to suit its business economics.

Marketing encompasses the activities involved in anticipating, managing and satisfying demand via the exchange process. The
activities include environmental analysis and marketing research, marketing management, broadening an organization's marketing scope, consumer analysis, product planning, distribution planning, promotion planning and price planning.\textsuperscript{1}

The importance of marketing function in business management has significantly grown in recent years. This development has come about as a result of several factors such as technological advances, intensified competition, growing consumer sophistication and increasing size and complexities of modern business.

Thus, marketing is an extremely important form of endeavour and it is clearly important in terms of its ability to influence the lives of people. It plays a significant role in determining the type and number of products and services that people buy, when and where they buy them. It also includes the commercial uses of the mass media and has, therefore, an almost daily influence on the lines of people. Marketing is important also in the sense that it represents one of the few fields of enterprise that is effectively open to individuals with limited amounts of investment capital.\textsuperscript{2}

The importance of marketing to the society can be viewed on the following points:
• Marketing is a connecting link between the consumer and the producer. Marketing process brings new and new items to retail shops, from where the consumers can have them.

• Marketing helps in increasing the living standard of people.

• Marketing helps to increase the nation's income. Efficient system of marketing reduces the cost to the minimum; this in turn lowers the prices and the consumer's purchasing power increases.

• Marketing process increases employment opportunities.

• Marketing caters modern cultivators. The poor farmers get new and developed methods of cultivation-useful implements, tools, fertilizers etc. at their doors and thus embraces the advantages of developed cultivation methods.

• Marketing removes the imbalances of supply by transferring the surplus to deficit areas, through better transport facilities.

• Marketing helps to maintain economic stability and rapid development in underdeveloped or developing countries.

• Marketing includes all activities in the creation of utilities - form, place, time and possession.

  Marketing is also equally important to individual firms that:

• It generates revenue to firms.
• Marketing section of a firm is the source of information to the top management for taking overall decisions on production.

• Marketing and innovations are the two basic functions of all businesses.

• Marketing facilitates the development of business and creates employment opportunities for people.

4.2 EVOLUTION OF MARKETING

Marketing is indeed an ancient art and it has been practiced in one form or the other since time immemorial. Its evolution can be viewed as a sequence of stages: barter era \(\rightarrow\) production era \(\rightarrow\) sales era \(\rightarrow\) marketing department era \(\rightarrow\) marketing company era. In some regions, marketing practices have progressed through each stage and involve a good consumer orientation and high efficiency, in others, they are still in infancy. Fig.4.1 shows the key aspects of each era in marketing's evolution.

Thus, the origin of marketing can be traced to people's earliest use of the exchange process - the barter era. With the barter system, people trade one resource for another - like food for animal pelts.

The modern system of marketing begins with the industrialization of an industry. Unless there is industrialization, exchanges are limited because people do not have surplus item to
trade. With the onset of mass production, better transportation and more efficient technology, products can be made in greater volume and sold at lower prices. Since the demand is high and competition is low, firms typically do not have to conduct consumer research, modify products, or otherwise adapt to consumer needs. The goal is to lift production to keep up with the demand. This stage is production era of marketing.

**Fig.4.1 Evolution of Marketing**

<table>
<thead>
<tr>
<th>Era</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>Barter Era</td>
<td>Self sufficiency</td>
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<tr>
<td></td>
<td>Basic one-on-one trading</td>
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<tr>
<td>Production Era</td>
<td>Demand exceeds supply</td>
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<tr>
<td></td>
<td>Output expanded</td>
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<tr>
<td>Sales Era</td>
<td>Supply equals demand</td>
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<tr>
<td></td>
<td>Selling process important</td>
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<tr>
<td>Marketing Department Era</td>
<td>Supply exceeds demand</td>
</tr>
<tr>
<td></td>
<td>Marketing a subsidiary function</td>
</tr>
<tr>
<td>Marketing Company Era</td>
<td>Supply exceeds demand</td>
</tr>
<tr>
<td></td>
<td>Integrated comprehensive role for marketing</td>
</tr>
</tbody>
</table>
The next stage takes place when companies are able to expand production capabilities so they can keep up with consumer demand. At this point, many firms hire a sales force and some use advertising to sell their inventory. This stage is the sales era of marketing. It still exists where competition is limited, such as in nations recently converting to free-market economies.

The marketing company era integrates consumer research and analysis into all company efforts. All major decisions virtually made after thorough consumer analysis. Since competition is intense and sophisticated, consumer must be aggressively drawn and kept loyal to a firm's brands. The company's efforts are well integrated and frequently re-evaluated.

4.3 MARKETING DEFINED

The term marketing comes from the word market - which is a group of potential customers with similar needs who are willing to exchange something of value with sellers offering various goods and/or services, that is, way of satisfying needs.

Marketing is both a set of activities performed by organizations and a social process. In other words, marketing exists at both the micro and macro levels. Micro marketing is the performance of activities that seek to accomplish an organization's objectives by
anticipating customer or client needs and directing a flow of need-satisfying goods and services from producer to customer or client. Macro marketing is a social process that directs an economy's flow of goods and services from producers to customers in a way that effectively matches supply and demand and accomplishes the objectives of society. Thus, micro marketing looks at customers and the organizations that serve them. While the macro marketing takes a broad view of the whole production-distribution system.

The term marketing as a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.³

Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, services to create exchanges that satisfy individuals and organizational goals.⁴

The essence of marketing is an exchange or a transaction intended to satisfy human needs or wants. That is, marketing is a human activity directed at satisfying needs and wants, through an exchange process. Felton views marketing as 'a corporate state of mind that insists on the integration and coordination of all marketing
functions which, in turn, are welded with all other corporate functions, for the basic objectives of producing maximum long-range corporate profits'.

Marketing, therefore, in common parlance, is regarded as an activity involving the buying and selling of products and services. However, as a subject of study, it has been approached in more than one way - commodities, institutional, managerial, societal and systems approaches. In the commodity approach to marketing the focus of study is on a specific commodity while in the institutional approach, the focus is on institutions-middlemen and facilitating agencies. In the functional approach, different functions performed to consummate market transactions are the subject matter of study. In the managerial approach, the focus of attention is the decision-making process involved in performing these functions at the level of a firm.

**4.4 MARKETING STRATEGY**

Marketing is one of the most powerful functions utilized by organizations in their pursuit of survival and growth. The flurry of business activity and growing competition in all segments of the consumer products have made strategic marketing an inevitable marketing approach. The globalization of marketing activity as a
response to liberalization policies of the State has also added new dimensions to marketing strategies.

The multi-national corporations' thrust to penetrate into existing marketing structures and gain a respectable share distributed the order and even the leading marketing players with substantial market share to their products have to work out preventive marketing strategies so that they are no displaced in the market. The strategic marketing takes constantly changing business environment into account and the need to achieve high levels of customer satisfaction. It links the organization with the environment and views marketing as a responsibility of the entire business rather than a specialized function. Thus, marketing strategy builds competitive advantage by combining the customer-influencing strategies of the business into an integrated array of marketing-focussed actions.

Business strategy has always relied heavily on marketing ideas. The influence of marketing on strategic thinking has grown greatly in recent years. Strategy is dominated by ideas that sink their roots deeply into the discipline of marketing. Product differentiation, product positioning, market segmentation, new product planning, innovation, product quality and long term customer satisfaction are among the ideas that greatly influence the strategy.
4.4.1 STRATEGY DEFINED

The term strategy is used in business to describe how an organization is going to achieve its objectives and mission. It includes the determination and evaluation of alternative paths to achieve an organization's objectives. Marketing reinforces the idea that customers for the firm's products ultimately determine whether a strategy was brilliantly conceived or blindly concocted. It is based on a simple proposition: a firm without satisfied customers has little chance of long-term success.

A strategy is a fundamental pattern of present and planned objectives, resource deployments, and interactions of an organization with markets, competitors and other environmental factors.6

This definition suggests that a good strategy should specify what is to be accomplished; where, that is, on which industries or product-markets it will focus; how or which resources and activities will be allocated to each product-market to meet environmental opportunities and threats and to gain a competitive advantage.

A strategy is the determination of basic long-term goals and objectives of an enterprise and adoption of course of action and the allocation of resources necessary for carrying out these goals.7
The salient features emerging from the above definition are:

i) it is the action of relating and designing other actions for the purpose;

ii) it is the right combination of the both external and internal factors. Here management must consider its strengths and weaknesses.

iii) strategy is a relative combination of actions to meet a particular condition to solve certain problems or to attain desirable objectives.

4.4.1.1 Components of Strategy

A well-developed strategy consists the following five components or sets of issues:

1. **Scope**: The scope of an organization refers to the breadth of its strategic domain, that is, the number and types of industries, product lines and market segments it competes in or plans to enter.

2. **Goals and Objectives**: Strategies should also specify desired levels of accomplishment on one or more dimensions of performance such as volume growth, profit contribution, or return on investment - over specified periods for each of the firm's
businesses and product-markets and for the organization as a whole.

3. **Resource Deployment:** A strategy should specify how the resources are to be obtained and allocated across businesses, product-markets, functional departments and activities within each business or product-market.

4. **Identification of a Suitable Competitive Advantage:** The most important part of any strategy is a specification of how the organization will compete in each business and product-market within its domain.

5. **Synergy:** Synergy exists when the firm's businesses, product-markets, resource deployments and competencies complement and reinforce one another. Synergy enables the total performance of the related businesses to be greater than it would be otherwise; the whole becomes greater than the sum of its parts.

**4.4.1.2 Hierarchy of Strategies**

The above five dimensions are part of all strategies. However, rather than a single comprehensive strategy, most organizations pursue a hierarchy of interrelated strategies each formulated at different levels of the firm. The three major levels of strategy in most large, multiproduct organizations are: (i) corporate strategy (ii)
business level strategy and (iii) functional strategies as depicted in Fig. 4.1.

Although a primary focus is on the development of marketing strategies and programmes for individual product-market entries, the Fig. 4.2 shows that other functional departments, such as, R & D and production also have strategies and plans. Thus, the organization's success in a given product-market depends on the effective coordination of strategies and activities across functional areas.

4.5 MARKETING STRATEGIES

A marketing strategy articulates a plan for the best use of the organization's resources and tactics to meet its objectives. Marketing strategy has been defined as the manner in which the company allocates its resources in order to meet consumer needs in a superior manner as compared to competitors with the ultimate aim of achieving its mission and objectives.9

Marketing strategy is also defined as the analysis, strategy development, and implementation activities in selecting market target strategies for the product-markets of interest to the organizations, setting marketing objectives, and developing, implementing and managing the marketing program positioning strategies designed to meet the needs of customers in each market target.10
Fig. 4.2 Hierarchy of Strategies

It is clear that marketing strategy is a market-driven process of strategic development, taking into account a constantly changing business environment and the need to achieve high levels of customer...
satisfaction. Strategic marketing focuses on organizational performance rather than the traditional concern about increasing sales. Marketing strategy builds competitive advantage by combining the customer-influencing strategies of the business into an integrated array of market-focussed actions. Strategic marketing links the organization with the environment and views marketing as a responsibility of the entire business rather than a specialized function. Successfully integrating multi-functional strategies is critical to providing high levels of customer satisfaction.

Therefore, to achieve the broad goal of expediting desirable exchanges, an organization’s marketing managers are responsible for developing and managing marketing strategies. Specifically, a marketing strategy encompasses selecting and analyzing a target market (the group of people whom the organization wants to reach) and creating and maintaining an appropriate marketing mix (product, distribution, promotion and prices) that will satisfy those people.11

Thus, the glut of competition has focussed more attention on performing traditional marketing actions strategically, with an eye towards beating competition. In that sense, marketing strategy is commonplace. Today, everything in marketing seems to be strategic. There is strategic market entry, strategic advertising and may be even strategic strategy. At the most macro level, there are marketing
strategies that focus on manipulations of the marketing mix variables - product, price, place and promotion. Accordingly, setting a strategy for a product consists of selecting a price for a product, designing an advertising campaign, then deciding on a plan of distribution.

The scope of marketing strategy has shown even greater variability over the past few decades. Here, marketing literature focusses on two elements: (i) picking a target market and (ii) selecting marketing mix to serve that market. The emphasis can be noticed that it is on consumers, not competitors.

Another widely used definition of strategy in marketing emphasizes the broader perspective of strategy in management. This definition views strategic market planning as a four-step process: (1) defining the business; (2) setting a mission; (3) selecting functional plans for marketing, product and other areas; and (4) budgeting for those plans.¹² In this sense, marketing strategy is more akin to corporate strategy.

4.5.1 Historical Trends in Marketing Strategy

Marketing strategy has changed greatly over the years, each step building on that which went before. The ancient Greeks were the first to formally discuss the concept of strategy, but their interest was in military rather than marketing applications. Business and
Marketing strategy came centuries later. More reviews of formal strategic planning trace its origins to the period beginning just after World War II. Since then, strategy has gone through at least four distinct phases, each phase corresponding roughly to one of the decades in that forty-year period: (1) budgeting and the search for overall strategy in the 1950s, (2) long-range planning in the 1960s, (3) formula planning in the 1970s, and (4) the trend towards strategic thinking that began in the 1980s and continues to the present time. These phases have been illustrated in Fig.4.3.

**Fig.4.3 Historical Trends in Strategy**

<table>
<thead>
<tr>
<th>1950s</th>
<th>SEARCH FOR OVERALL CORPORATE STRATEGY</th>
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<tbody>
<tr>
<td>BUDGETING</td>
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<td></td>
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<tr>
<td>1960s</td>
<td>LONG-RANGE PLANNING</td>
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<tr>
<td>1970s</td>
<td>FORMULA PLANNING</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>1980s</td>
<td>STRATEGIC THINKING</td>
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The modern strategy began with two trends that emerged right after World War II. Those trends were: (1) the growth and sophistication of budgeting techniques and (2) the search for a way to
create an overall corporate strategy. Budgeting, which allowed the firm to control its operations, is sometimes called basic financial planning. In essence, the budgeting gradually grew into strategy as the 1950s grew into the 1960s. The strategy, then, emerged from attempts to create an overall, explicit corporate strategy. Before 1950s, most business disciplines focussed on their own subject matter. Business theories progressed on a discipline-by-discipline basis.

The move from budgeting to long-range planning was motivated by four key factors: (1) long-term budgeting consequences; (2) interest in objectives and goals; (3) trend towards conglomeration; and (4) resource allocation. If the 1960s were the decade of long-range planning, then the 1970s was surely the decade of what has been come to be known as formula planning.

In the 1980s, the strategic thinking gained favour. Strategic thinking is an alternative to those who argued that strategic planning is obsolete, and should be discarded. Strategic thinking captures many of the current trends in marketing strategy. Among those trends are from:
(i) **Forecasting to competitive advantage**

While past strategic planning formulations relied heavily on forecasting, strategic thinking relies heavily on the concept of competitive advantage. By moving away from the model of perfect competition, by focusing strengths against competitors’ weaknesses, and by better fitting the needs of external environment, a firm is able to exercise some degree of influence over the market in which it competes. The SWOT (strengths, weaknesses, opportunities and threats) is the one of the oldest formulations in strategy. Fig.4.4 exhibits the SWOT format, showing the dual orientations towards markets as well as competitors.

**Fig.4.4 SWOT Analysis**

Thus, it proposes that the essence of strategy is to match: (a) strengths against competitors’ weaknesses and (b) strengths against market opportunities.
The competitive advantage arises from two separate sources - better serving consumers and outfoxing competitors. The Fig.4.5 describes this basic pattern.

**Better Serving Customers**

Marketers' interest in consumers does not arise solely from altruism, but primarily as a search for competitive advantage. Marketers have long known that better serving leads to numerous business benefits. Satisfied consumers are more like to return for subsequent purchases.

**Fig.4.5 Sources of Competitive Advantage**

```
CONSUMERS <-> COMPETITIVE ADVANTAGE <-> COMPETITION

Price
Experience Effects
Market Share
Barriers to Entry
Brand Name
Distribution
Differentiation
Product Quality
Customer Satisfaction

MARKET CONDITIONS
Market Growth
Life-Cycle Stage
Product Evolution
Segmentation
New Technology
Substitutes
Consumer Trends
Economic Trends
Government Trends
```
Out fixing Competitors

Competitive advantage also arises from outmaneuvering competitors. Many of the specific advantages listed in Fig.4.5 succeed by thwarting competitors’ moves in the marketplace. Focussing on competitors rather than customers, they are more analogous to military strategies than to advantages based on better serving customers.

(ii) Elitism to Egalitarianis

Strategic thinking is not conducted solely by an elite group of professional planners. Instead, it is way of thinking about consumers, competitors and competitive advantage that is inculcated into every member of the organization.

(iii) Competitors to Competitors and Consumers

Historically, strategy has stressed competition and minimized the importance of consumers. Today, the emphasis is more balanced. Strategic thinking offers a more balanced view of customers and competitors as sources of competitive advantage.

(iv) Calculation to Creativity

The ill-structured marketing problems have lead to the recognition that applying deterministic formulations to such problems are likely to lead to failure. The formula planning approaches of the
past focussed too intently on measurable, quantitative factors. In the process, they ignored the important qualitative aspects of marketing problems.

(v) **Rigid to Flexible**

Setting strategies for five years in advance precluded learning and adaptation. Likewise, the formula-planning grids of the 1970s offered a single approach to business success. There was little room for flexibility.

### 4.6 DEVELOPMENT OF MARKETING STRATEGY

Marketing strategy is concerned with the choice of products and markets in the company's portfolio and the allocation of resources among them. A marketing strategy is thought of in terms of three major components: target market selection, core strata (i.e., differential advantage) and implementation (i.e., supporting marketing mix). Blending the variables into a coherent programme requires consideration of a linkage between the overall programme and its primary customer segments. Further consideration regarding marketing strategy highlights delivering long-term value to customers and developing customer satisfaction and loyalty. Fig.4.6 illustrates the process leading to crafting a marketing strategy to achieve the company's objectives.
The step of crafting a strategy is the basic course of action designed to *get there* - that is, to achieve the objectives. This endeavour strives to positively differentiate a company from its operations utilizing its strengths to better satisfy customer needs in a given environmental setting. In essence, the marketing manager strives to develop strategies leading to a sustainable competitive advantage.

Thus, the central thrust of the strategy is to direct the pursuit of the firm's long-term competitive position in the marketplace. A key concern is not only where the company is today but how well equipped it is to deal with tomorrow.

### 4.6.1 The Strategic Planning Process

Strategic planning is the planning for a firm's long-term future and includes the firm setting of major overall objectives at an early stage in the process. It determines the basic approaches to be used in pursuing these objectives and the means of obtaining and utilizing the
needed resources. Fig. 4.7 briefly diagrams the activities involved in the strategic planning process.

Fig. 4.7 Process of Formulating and Implementing Marketing Strategy

External Environment →

Corporate objectives and strategy

Business-level objectives and strategy

Market Opportunity Analysis
  Environmental and competitor analysis
  Industry dynamics
  Customer analysis, segmentation and targeting decisions
  Positioning decisions

Formulating strategies for Specific Market Situations
  Strategies for new market entries
  Strategies for grown markets
  Strategies for nature and declining markets
  Global marketing strategies

Implementation and Control
  Implementing business and marketing strategies
  Controlling marketing strategies and programmes

Marketers often play a major role in formulating strategies and that role is likely to expand in the future. At the same time, strategic decisions at the corporate and strategic business unit level often influence or constrain the range of options a marketing manager can
realistically consider when designing a marketing strategy for his product.

A major factor in the success or failure of a strategy at any level is whether it fits the realities of the firm's external environment. Thus, in developing a marketing strategy for a product, the marketing manager must first monitor and analyze the opportunities and threats posed by factors outside the organization as depicted in Fig. 4.7. Then, to understand potential opportunities and threats over the long term, marketers must first attempt to identify and predict the impact of broad trends in the economic and social environment.

The strategic marketing programme for a particular product-market entry should reflect market demand and the competitive situation within the target market. As demand and competitive conditions change over time, the marketing strategy should also be adjusted.

A final critical determinant of a strategy's success is the firm's ability to implement it effectively. This, in turn, depends on whether the strategy is consistent with the firm's resources, organizational structure, coordination and control systems, and the skills and experiences of company personnel.14
4.7 STRATEGIC MARKETING PLANNING

The primary purpose of a marketing strategy is to effectively allocate and coordinate marketing resources and activities to accomplish the firm's objectives within a specific product-market. Therefore, decisions about the scope of a marketing strategy involve specifying the target-market segment(s) to be pursued and the product line to be offered. Then, firms seek a competitive advantage and synergy, planning a well integrated programme of marketing mix elements, primarily the 4 Ps of product, price, promotion and place of distribution, tailored to the needs and wants of customers in the target segments.

The central responsibility of marketing management, thus, is to develop marketing strategies. Marketing strategies are of central concern to marketing managers for the reasons that: (i) they represent the means by which the firm attempts to influence consumers; (ii) their implementation requires major cost allocation and (iii) they determine the competitive position of the firm and effect growth potential.

Marketing strategies are the result of the marketing planning process at each of the three planning levels, i.e., the corporate, strategic business unit (SBU) and product levels. Fig. 4.8 links
marketing strategies with the planning process at each of these three levels as indicated below and Table 4.1 reveals the purpose of each type of strategy:

**Fig. 4.8 Types of Marketing Strategies**
Table 4.1 Purposes of Marketing Strategies

<table>
<thead>
<tr>
<th>TYPE OF STRATEGY</th>
<th>PURPOSE</th>
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</table>
| 1. Corporate Growth Strategies       | Define corporate mission  
Identify relative importance of new versus existing products  
Identify relative importance of internal development versus external acquisition for new product growth |
| 2. Product Mix Strategies            | Determine product mix across SBUs  
Allocate resources to SBUs accordingly  
Allocate resources to PMUs |
| 3. Marketing Strategies              | Establish the brand’s position relative to (1) consumer needs and (2) competition  
Determine the need for repositioning existing brands  
Establish product positioning strategies as a basis for the marketing mix |
| a. Product positioning strategies    | Use needs to identify the primary target to which the brand is positioned  
Determine whether additional segments will be appealed to  
Determine whether additional brands will be offered to specific segments |
| b. Marketing segmentation strategies |                                                                                                                           |
| c. Market Mix Strategies             | Define advertising, sales promotion, distribution, and price strategies  
Determine spending levels for advertising and promotion  
Establish price level  
Ensure coordination of all elements of the marketing mix |
4.7.1 Corporate Growth Strategies

The corporate growth strategies are designed for the firm's overall corporate mission. They provide a blueprint for the future by specifying the relative emphasis on (i) market expansion for existing products; (2) internal development of new products; and (3) acquisition of new businesses.

4.7.1 Product Mix Strategies

Fig. 4.8 demonstrates that corporate growth strategies are developed by top management. The next set of strategies, product mix strategies, are developed by both by top management and by management at the SBU level. Product mix strategies determine the product offerings of the firm and its business units as indicated in Table 4.1. They also determine changes in resource allocations designed to improve the firm's profit position.

4.8 MARKETING STRATEGY: TARGET MARKET SELECTION

The focus point of marketing decisions is the customer. The target market is defined as the group or groups of buyers that the company wants to appeal to. Strategies are designed to meet the needs and preferences of the chosen buyer segments realizing that the market places have been evolving from mass markets to many segmented target markets.
Identifying a target market for a product or service is the first requirement in developing marketing strategies. Most successful products are directed to the needs of a particular segment of consumers. Product, advertising, pricing and distribution strategies are then based on the needs and characteristics of these consumers. After gathering the data on consumer traits, desires and decision-making company and industry attributes and environmental factors, a firm is ready to select the target market(s) to which it will appeal and for which it will develop a suitable strategy. The total market for particular goods or services consists of all the people and/or organizations that desire that goods and services, have sufficient resources to make purchases and are willing and able to buy. Firms often use market segmentation-dividing the market into distinct subsets of customers that behave in the same way or have similar needs. Each subset possibly be a target market.

Developing a target market strategy consists of three general phases: analyzing consumer demand, targetting the market and developing the market strategy. This comprises the seven specific steps shown in Fig.4.9.
Fig. 4.9 Steps in Planning a Target Market Strategy

1. Determine demand patterns → Analyze Consumer Demand
2. Establish possible bases of segmentation → Target the Market
3. Identify potential market segments
4. Choose a target market approach
5. Select the target market(s)
6. Position the firm’s offering in relation to competition → Develop the Marketing Strategy
7. Outline the appropriate market mix(s)

4.8.1 Analyzing Consumer Demand

The initial phase in planning a target market strategy, analyzing consumer demand, consists of three steps: determining demand patterns, establishing possible bases of segmentation and identifying potential market segments.

4.8.1.1 Determining Demand Patterns

The consumer patterns which indicate the uniformity or diversity of consumer needs and desires for a particular categories of goods and services are to be determined by a firm must that it faces in the marketplace. Fig.4.10 describes for each good or service category it markets.
With homogeneous demand, consumers have rather uniform needs and desires for a good or service category. A firm’s marketing tasks are straightforward - to identify and satisfy the basic needs of consumers in a superior way. With clustered demand, consumer needs and desires for a good or service category can be divided into two or more clusters (segments), each having distinct purchase criteria. A firm’s marketing efforts must be geared towards identifying and satisfying the needs and desires of a particular cluster(s) in a superior way. A firm’s marketing efforts are complex since product features are harder to communicate and more product versions may be offered.

4.8.1.2 Establishing Possible Bases of Segmentation

A firm next studies possible bases for segmenting the market for each of its products or product lines. A firm must decide which segmentation bases are most relevant for its particular situation. In this regard, geographic demographics are basic identifiable
characteristics of towns, cities, states, regions and countries. Personal demographics are the identifiable characteristics of individual final consumers and organizational consumers and groups of final consumers and organizational consumers. Consumer life-styles are the ways in which people live and spend time and money and many life-style factors can be applied to both final and organizational bases.

4.8.2 Targetting the Market

The second phase in planning a target market strategy (targetting the market) consists of choosing the proper approach and selecting the target market(s). A firm then decides upon undifferentiated marketing (mass marketing), concentrated marketing or differentiated marketing (multiple segmentation). These options are contrasted Table 4.2.

An undifferentiated marketing approach aims at a large, broad consumer market via one basic marketing plan. Through a concentrated-marketing approach, a firm would aim at a narrow, specific consumer segment with one specialized marketing plan catering to the needs of that segment. In the differentiated marketing, a firm would appeal to two or more distinct market segments, with a
different marketing plan for each. This approach combines the best aspects of undifferentiated marketing and concentrated marketing.

### Table 4.2 Contrasting Target Market Approaches

<table>
<thead>
<tr>
<th>Strategic Factors</th>
<th>Approaches</th>
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<tbody>
<tr>
<td></td>
<td>Undifferentiated Marketing</td>
</tr>
<tr>
<td>Target market</td>
<td>Broad range of consumers</td>
</tr>
<tr>
<td></td>
<td>Limited number of products under one brand for many types of consumers</td>
</tr>
<tr>
<td>Product</td>
<td>All possible outlets</td>
</tr>
<tr>
<td>Distribution</td>
<td>One popular price range</td>
</tr>
<tr>
<td>Price</td>
<td>Appeal to a large number of consumers, broad-based marketing programme</td>
</tr>
<tr>
<td>Strategy emphasis</td>
<td></td>
</tr>
</tbody>
</table>
4.8.3 Developing the Market Strategy

The third phase in planning a target market strategy (developing the marketing strategy) consists of two steps - positioning the company's offering relative to competitors and outlining the appropriate marketing mix(es).

4.8.3.1 Positioning the Company's Offering in Relation to Competition

Once a firm selects its target market(s), it must identify the attributes and images of each competitor and select a position for its offering. In positioning itself against the competitors, the firm would need to present a combination of customer benefits that are not being offered by them and that are desirable by a target market.

4.8.3.2 Outlining the Appropriate Market Mix(s)

The last step in the target-marketing process is for a firm to devise a marketing mix for each customer group to which it wants to appeal. Marketing decision relate to product, distribution, promotion and price factors.

4.9 MARKETING MIX

Marketing provides the energy that drives the economy and is responsible for bringing goods and services that consumers want and need into the marketplace. The way in which organizations respond to market signals such as rising demand reflects their corporate
objectives and this in turn influences the strategies and techniques they employ. The role of the marketing function is to generate a market-centered philosophy in a firm and to set out a plan showing how the firm can achieve its objectives. From this plan, decisions are made on how to turn ideas into reality. These decisions involve the ingredients of the marketing mix.

A mix is a composition of ingredients blended together to fulfill a common purpose. Every ingredient is vitally important and each depends upon the others for its contribution. A marketing mix is made up of a complex set of variables which an organization can combine in order to ensure that marketing and corporate objectives are achieved.

Marketing mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market. The marketing mix includes strategic, tactical and operational elements and techniques. It represents an assemblage of tasks and sub-tasks which ultimately will help to satisfy the customer's requirements in such a way as to enable the firm to attain its objectives in an optimum fashion. The subtle part of the concept is that different companies in the same business may opt to develop different mixes. In fact, it is this difference that may provide one firm with a competitive advantage over its competitors.
The marketing tools are classified into four broad groups called as four Ps of marketing - product, price, place and promotion. The theory of underlying the four Ps concept is that, if one manages to achieve the right product, at the right price with appropriate promotion and in the right place, the marketing programme will be effective and successful. However, each of the four Ps are broken down into a number of sub-components. The components of the marketing mix are illustrated in Fig.4.11.

**Fig.4.11 Four Components of the Marketing Mix**

<table>
<thead>
<tr>
<th>Marketing Mix</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
</tr>
<tr>
<td>Product</td>
</tr>
<tr>
<td>variety</td>
</tr>
<tr>
<td>Quality</td>
</tr>
<tr>
<td>Design</td>
</tr>
<tr>
<td>Features</td>
</tr>
<tr>
<td>Brand name</td>
</tr>
<tr>
<td>Packaging</td>
</tr>
<tr>
<td>Sizes</td>
</tr>
<tr>
<td>Services</td>
</tr>
<tr>
<td>Warranties</td>
</tr>
<tr>
<td>Returns</td>
</tr>
<tr>
<td><strong>Price</strong></td>
</tr>
<tr>
<td>List price</td>
</tr>
<tr>
<td>Discounts</td>
</tr>
<tr>
<td>Allowances</td>
</tr>
<tr>
<td>Payment period</td>
</tr>
<tr>
<td>Credit terms</td>
</tr>
<tr>
<td><strong>Promotion</strong></td>
</tr>
<tr>
<td>Sales promotion</td>
</tr>
<tr>
<td>Advertising</td>
</tr>
<tr>
<td>Sales force</td>
</tr>
<tr>
<td>Public relations</td>
</tr>
<tr>
<td>Direct marketing</td>
</tr>
<tr>
<td><strong>Place</strong></td>
</tr>
<tr>
<td>Channels</td>
</tr>
<tr>
<td>Coverage</td>
</tr>
<tr>
<td>Assortments</td>
</tr>
<tr>
<td>Locations</td>
</tr>
<tr>
<td>Inventory</td>
</tr>
<tr>
<td>Transport</td>
</tr>
</tbody>
</table>

Thus, market targeting and positioning strategies for new and existing products guide the choice of strategies for the marketing mix.
components. Product, price, promotion and place strategies are combined to form the positioning strategy selected for each market target. The relationship of the positioning components to the market target is shown in Fig. 4.12.

**Fig. 4.12 Positioning Strategy Development**

The marketing mix decisions help implement the positioning strategy. The objective is to achieve favourable positioning while allocating financial, human and production resources to markets, customers and products as effectively and efficiently as possible.

**4.10 PRODUCT STRATEGY**

The product strategy is the first component of the marketing mix. The product strategies specify the market needs which may be served by offering different products. It is the product strategies, duly
related to market strategies, which eventually come to dominate both the overall strategy and the spirit of the company and opportunities and threats are seen accordingly. The product strategies deal with such matters as number and diversity of products, product innovations, product scope and product design.

There are different dimensions of product strategies. The important strategies are:

4.10.1 Product-Positioning Strategy

The term *positioning* refers to placing a brand in that part of the market where it will have a favourable reception compared to competing products.\(^21\) Since the market is heterogeneous, one brand cannot make an impact on the entire market. As a matter of strategy, therefore, the product should be matched with that segment of the market where it is most likely to succeed.

The positioning is achieved by using marketing mix variables, especially design and communicating efforts.

A company may have a one brand which it may place in or more chosen segments in the market. Alternatively, it may have several brands positioned in different segments. Accordingly, there are two types of positioning strategies, *viz.*, (i) Positioning a Single Brand and (ii) Positioning Multiple Brands.
4.10.2 Product-Repositioning Strategy

Often a product may require repositioning. This can happen if: (1) a competitive entry has been positioned next to the brand with an adverse effect on its share of the market (2) consumer preferences have undergone a change (3) new customer-preference clusters have been discovered with promising opportunities or (4) a mistake has been made in the original positioning. Basically, there are three ways to reposition a product: among existing users, among new users and for new uses.

4.10.3 Product-Overlap Strategy

The product-overlap strategy refers to a situation where a company decides to compete against its own brand. There are alternative ways in which the product-overlap strategy may be operationalized. Principal among them are: having competing lines, doing private labelling and dealing with original-equipment manufactures.

4.10.4 Product-Scope Strategy

The product-scope strategy deals with the perspectives of the product mix of a company, i.e., the number of product lines and items in each line that the company may offer. The product-scope strategy is determined by making a reference to the overall company mission.
The product-scope strategy must be finalized after a careful review of all facets of the business since it involves a long-term commitment. Additionally, the strategy must be reviewed from time to time to make any changes called for because of shifts in the environment.

4.10.5 Product-Design Strategy

A company may offer a standard or custom-designed product for each individual customer. The decision about whether to offer a standard or customized product can be simplified. Between the two extremes of standard and customized products, a firm may also offer standard products with modifications. The offering of standard products leads to two benefits. First, standard products are more amenable to the experience effect than are customized products, giving the firm a cost benefit. The customized products are sold on the basis of the quality of the finished product, i.e., the extent to which the product meets the customers' specifications. The standard-product-with-modifications strategy represents a compromise between the two strategies.

4.10.6 Product-Elimination Strategy

Marketers have believed for a long time that sick products should be eliminated. It is only in recent years that this belief has achieved strategic dimensions. When a product reaches the stage
where continued support can no longer be justified because its performance falls short of expectations, it is desirable to pull the product out. The products which are not able to limp along must be eliminated. The two alternatives in the product-elimination strategy are line simplification and total-line divestment.

4.10.7 New-Product Strategy

New product development is an essential activity for companies seeking growth. By adopting the new product strategy as their posture, companies are better able to sustain competitive pressures on their existing products and make headways. The implementation of this strategy has become easier due to technological innovations and the willingness of customers to accept new ways of doing things.

The management can effect the implementation of this strategy: first, by establishing policies and broad strategic direction for the kinds of new products the company should seek; second, by providing the kind of leadership that will create the environment climate needed to stimulate innovative drive in the organization; and third, by instituting review and monitoring procedures so that the manager is involved at the right decision points and can know whether or not
Some factors have been identified for ensuring successful introduction of new products. These factors are:

♦ the ability to identify customer needs;

♦ use of existing company know-how and resources;

♦ measurement of new product performance during the development process;

♦ emphasis on screening and testing ideas before spending money on product development;

♦ coordination between research and development and marketing;

♦ an organizational environment that encourages entrepreneurship and risk taking; and

♦ linking new product development to corporate goals.

During the introductory period, the firm is taking a loss while spends for advertising to create awareness and while recouping research and development costs. If the product is successful, it enters a growth phase in which sales are accelerating and the product becomes profitable.
4.10.8 Product Diversification Strategy

Diversification refers to seeking unfamiliar products, markets or both in pursuing growth.\(^{23}\) Every company is the best at certain products; diversification requires substantially different knowledge, thinking, skills and process. Thus, diversification is at the best a risky strategy and a company should choose this path only when current product/market orientation does not seem to provide further opportunities for growth.

4.11 PRICING STRATEGY

Price is a crucial element in competitive market strategy. The price of a company's products and services represents the vehicle for that company to achieve its financial objectives. It is through price and volume that revenue is generated. Price equates to the financial sacrifice that the customer is willing to pay to purchase the product or service desired.

4.11.1 Framework for Pricing Decisions: Key Inputs

The starting point for developing a useful pricing structure is the delineation of a framework for pricing decisions. Specifically, one needs to establish the key inputs to pricing decisions. Although there are a myriad of possible considerations in arriving at a price for a
product or service, the following are considered to be the key inputs for the pricing decision maker:

4.11.1.1 Company and Marketing Objectives

Pricing strategies are salient to the achievement of corporate and marketing objectives. Hence, it is essential that pricing objectives and strategies are consistent with and supportive of these objectives. Table 4.3 illustrates both the potential range of pricing objectives and their clear relationship to overall corporate and marketing objectives.

Table 4.3 Pricing and Corporate/Marketing Objectives

| Pricing to maximize long-run profits |
| Pricing to maximize short-run profits |
| Pricing to expand market share |
| Pricing to maintain a price leadership position |
| Pricing to discourage potential new entrants |
| Pricing to avoid the attention of government and legislators |
| Pricing to establish and maintain dealer loyalty |
| Pricing to improve corporate image |
| Pricing to improve the sales of weaker products |
| Pricing to discourage price wars |

In addition to these broader corporate objectives, pricing decisions must also reflect and support specific marketing strategies. In particular, pricing strategies need to be in line with market targetting and positioning strategies.
4.11.1.2 Demand Considerations

The second key parameter effecting pricing decisions is essentially customer based. The upper limit to the price to be charged is set by the market - unless, of course, the customer must purchase the product. Ideally, the marketing manager needs to know the demand schedule for the products and services to be priced.

As far as demand is concerned, products can be related in any one of a number of ways. First, they may be competing products or substitutes, in which case, an increase in the purchase of one product may result in a decrease in the demand of another product. Next, when products are of a complementary nature, then an increase in demand for one product may result in an increase in demand for another product. Finally, when two products are of an independent nature, then a purchase of one product have to no effect on the demand of another product.

In all instances, marketers need to be aware of the way in which customers react to a given price level. There are a number of possible shapes for a demand curves. Each curve illustrates how a particular set of customers reacts to a change in price by plotting the price of the product against the level of sales of the product. A variety of possible shapes for demand curves are shown in Fig.4.13 (a) - (d).
Fig. 4.13 Possible Shapes of Demand Curves

(a) Convenient economic man quality

(b) Price as an indicator of

(c) Price does not figure in demand

(d) Price as an indicator of prestige

Fig.4.13(a) is an traditional economist's demand curve. Assuming *rationality* on the part of consumers, lower the price higher the quantity demanded. Fig.4.13(b) also shows a frequently encountered demand curve, though one which is often not appreciated the price of a product increases demand up to a point, but below this threshold the desirability of the product and hence demand decreases to the suspicion of *poor quality* signalled by the lower prices. Fig.4.13(c) shows a market where, regardless of the price
charged, demand remains unchanged. Fig.4.13(d) illustrates a market where increased prices result in increases in demand. Markets where this might occur are those where the consumer is eager to signal that the product is affordable, the higher price is being an indicator of the prestige and status of the buyer.

4.11.1.3 Cost Considerations

Accurate cost information allows the pricing decision maker to identify costs on a very specific basis directly related to each product, activity or customer. In this way, management is able to make informed decisions about pricing to target market segments. Cost analysis enables marketer to distinguish between fixed and variable costs and the relationship between these and volume. The importance and use of the distinction between fixed and variable costs can be illustrated by a simple breakeven chart, an example of which is shown in Fig.4.14.

The fixed costs do not vary with the level of output and are therefore represented by the horizontal fixed cost curve in Fig.4.14. The variable costs are more or less related to production or sales. Taken together, fixed and variable costs combine to give total costs. The remaining information contained in a break-even chart is the revenue curve. This shows the total revenue which accrues to the
company at a given price-quantity combination. The break-even point is the point at which total revenue exactly matches the total costs, i.e., there is neither profit nor loss.

**Fig.4.14 Simple Break-even Chart**

4.11.1.4 Competitor Considerations

The most important considerations with regard to competitor pricing include (i) competitors’ price, including discounts, credit terms and terms of trade (ii) competitors’ resources, especially financial (iii) competitors’ costs and profit margins (iv) likely competitor responses to the pricing strategies and decisions (v) likely potential competitors and barriers to market entry (vi) competitor marketing strategy, especially targetting, positioning and product differentiation.
4.11.2 Pricing Strategy for New Products

Pricing strategy for a new product should be so developed as to make the desired impact on the market while at the same time discouraging competition from emerging. There are broadly two alternative pricing strategies for new products - *skimming-pricing strategy* and *penetration-pricing strategy*.

Price skimming is the setting of a relatively high price for a new product. This strategy is appropriate when:

- the market and production capacity is small;
- the production learning or experience curve effects are negligible;
- the demand is price inelastic;
- the perceived value of the product is high; and
- product quality is an important attribute to consumers and there is a lack of direct competition or substitutes.

Price penetration is setting of a relatively low price for a new product. This strategy is suitable when:

- the market and the production capacity is large;
- the learning/experience curve effects are significant;
- the demand is price elastic;
- the perceived value of the product is low; and
• the competition is intense and close substitutes are readily available.

4.11.3 Pricing Strategy for Existing Products

Changes in the product/market environment may require a review of prices of products already on the market. There are three options for pricing existing products - maintain price, reduce price or increase price. A firm may **maintain price** for an existing product if most variables or factors remain fairly constant and the firm has no plans to change its strategy or market position. Maintaining price probably creates a sense of certainly since any changes introduced would always create uncertainty as to how consumers would react. It enhances the firm’s image of being fair.

A firm may **reduce price** as a responsive move to meet consumer’s needs, as a response to competitors’ price cut or as an offensive move to gain market share. The third option of **raising price** for an existing product is taken by a firm to maintain profitability in the face of cost increases. Or, to take advantage of product differences, strong product demand and lack of substitutes. Demand should be price inelastic for this strategy to work. Thus, pricing strategy has to be made by balancing the demands placed by various
4.12 PROMOTION STRATEGY

Promotional strategies are concerned with the planning, implementation and control of persuasive communication with customers. These strategies may be designed around advertising, personal selling, sales promotion or any combination of these. The promotional element of marketing strategy is potentially one of the most potent elements of the marketing mix available to the marketer.26

4.12.1 Marketing Communications

One of the significant strategic issues associated with planning, implementing and controlling a firm's promotional strategy is marketing communication. The elements of planning marketing communication strategy are product communication, place communication and price communication. In terms of communication, a firm's products are an important element. For many consumers, products represent symbols denoting characteristics of lifestyles, personality and so on. Packaging, in particular, communicates certain things to the market, including status, quality, atmosphere and image.
As in the other areas of the marketing mix, strategic management of marketing communications requires a systematic and ordered approach. A number of approaches which fit these criteria have been developed. Although these approaches vary in their precise detail, there is sufficient commonality between them to propose a generalized framework that is integrated with other elements of marketing strategy. This framework is shown in Fig.4.15.

**Fig.4.15 Steps in Planning Communication Strategies**

1. Identify target audience establish marketing strategies mix elements
2. Establish behavioural influences
3. Determine information needs of target audience
4. Determine communication objectives and tasks
5. Determine overall communication budget
6. Determine the promotional mix allocation of tasks
7. Implementation
8. Measurement and control
Thus, effective marketing communications starts with the selection of the target audience and the delineation of broad strategies and marketing mix elements designed to achieve objectives in these target markets. The marketing communicator must also understand the target audience, determine communication objectives and tasks. Having decided the communication objectives, the budget requirements are to be determined to meet those objectives. The stage of determining the promotional mix: allocation of tasks requires decisions to be made regarding the allocation of communication tasks and hence the communication budget, to the wide variety of promotion tools available to a company. The examples of promotion tools are exhibited in Table 4.4.

The communication tools are, in fact, embodied in all of the elements of the marketing mix. However in the promotion area of the mix itself, one can distinguish between major tools of promotion to which communication tasks can be allocated. These four elements are: Advertising, Sales Promotion, Publicity and Personal Selling.

Advertising is one of the first tools, perhaps, one tends to think of, and certainly one of the most visible things in the daily lives. Selection of an advertising medium is influenced by such factors as the product or service itself, the target market, the budget and the competitors' advertising strategy. Advertising attempts to move
consumers from unawareness of a product or service - to awareness -
to comprehension - to conviction - to action. Therefore, advertising
is only powerful if it, and the rest of the communication and the
marketing strategy, are well planned, implemented and integrated.
Thus, promotional strategies are directed towards establishing
communication with the customers.

Table 4.4. Promotion Tools for a Company

<table>
<thead>
<tr>
<th>Advertising</th>
<th>Sales Promotion</th>
<th>Publicity</th>
<th>Personal Selling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Print and broadcasting ads</td>
<td>Contests</td>
<td>Press kit</td>
<td>Sales presentations</td>
</tr>
<tr>
<td>Packaging - outer</td>
<td>Games</td>
<td>Speeches</td>
<td>Sales meetings</td>
</tr>
<tr>
<td>Packaging - inserts</td>
<td>Sweepstakes</td>
<td>Seminars</td>
<td>Telemarketing</td>
</tr>
<tr>
<td>Mailings</td>
<td>Premiums</td>
<td>Annual reports</td>
<td>Incentive programmes</td>
</tr>
<tr>
<td>Catalogues</td>
<td>Samples</td>
<td>Charitable donations</td>
<td>Salesmen</td>
</tr>
<tr>
<td>Motion pictures</td>
<td>Fairs and trade shows</td>
<td>Public relations</td>
<td>Samples</td>
</tr>
<tr>
<td>Magazines</td>
<td>Exhibits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brochures and booklets</td>
<td>Demonstrations</td>
<td></td>
<td></td>
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<tr>
<td>Posters/leaflets</td>
<td>Couponing</td>
<td></td>
<td></td>
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<tr>
<td>Directories</td>
<td>Rebates</td>
<td></td>
<td></td>
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<tr>
<td>Reprints of ads</td>
<td>Low interest financing</td>
<td></td>
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<tr>
<td>Billboards</td>
<td>Entertainment</td>
<td></td>
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<tr>
<td>Display signs</td>
<td>Trade-in allowances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Point of purchase displays</td>
<td>Trading stamps</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audiovisual material</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Symbols and logos</td>
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</tbody>
</table>
4.13 PLACE STRATEGIES

Place or distribution strategies are concerned with the channels which a manufacturer may employ to make the goods and services available to customers. The channels are organized structures of buyers and sellers which bridge the gap of time and space between the manufacturer and the customer.

A channel-structure strategy may be adopted by a marketer which refers to the number of intermediaries employed in moving goods from manufacturers to customers. A firm may undertake to distribute its goods to customers or retailers without involving any intermediary. This comprises the shortest channel and may be labelled as direct-distribution strategy. Alternative, goods may pass through one or more middlemen, such as wholesalers and/or agents. This is an indirect distribution strategy. Fig. 4.16 (a)-(b) shows alternative channel structures for consumer and industrial products.

Thus, the distribution strategies are concerned with the flow of goods and services from manufacturers to customers. Six major distribution strategies may be distinguished, viz., channel-structure strategy, distribution-scope strategy, multiple-channel strategy, channel-modification strategy, channel-control strategy and channel-conflict-management strategy.
Fig. 4.16 Typical Channel Structure

(a) For Consumer Products

Manufacturers → Agent or Broker → Wholesaler → Retailer → Household Consumers

(b) Industrial Products

Manufacturers → Agent or Broker → Industrial Distributor → Business Customers
The channel-structure strategy determines whether the goods should be distributed directly from manufacturer to customer or indirectly, allowing goods to pass through one or more intermediaries. The distribution-scope strategy specifies whether exclusive, selective or intensive distribution should be pursued. The channel-modification strategy involves evaluating current channels and making necessary changes in distribution perspectives so as to accommodate environmental shifts. The channel-control strategy focuses on vertical marketing systems to institute control.

4.14 CONSUMER BEHAVIOUR

Understanding of consumer behaviour is essential to the management of the marketing process. Increasingly it is recognized that by undertaking detailed studies of consumer behaviour, the resultant knowledge can often provide the basis of identifying new sources of competitive advantage. Effective launch of new products also requires a detailed understanding of variations in consumer behaviour.

Consumer behaviour is determined to a large extent by social and psychological factors. The buying motives, known to be the reasons why consumers buy particular product or brands are to be understood by the marketing manager for achieving success in
marketing. Consumer behaviour refers to the process as to how consumers make their purchase decisions. The field of consumer behaviour studies how individuals, groups, and organizational select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and desires.

The concept of consumer behaviour can be studied in terms of marketing stimuli, process and behaviour response as exhibited in Fig.4.17. As indicated in Fig.4.17, the starting point for understanding consumer behaviour is the stimulus response. Consumer behaviour is a process involving a series of related and sequential stages of activities.

The process begins with the recognition of unsatisfied needs and wants. Consumers' search for information and followed by evaluation of alternatives and a purchase decision. Then comes a post purchase behaviour in the process.

4.14.1 Determinants of Consumer Behaviour

Consumer behaviour is influenced by many factors like cultural factors, social factors, personal and psychological factors as indicated Fig.4.18. Consumers are moved by a complete set of deep and subtle emotions. The consumer behaviour is the result of deeply held values and attitudes. Many factors within and outside, what the consumers'
view of the world and their place in it, what they think of themselves and what they think of others, their impulse and common sense influence the consumer behaviour.

**Fig. 4.17 Consumer Behaviour Process**

- Marketing Stimuli → Process (Problem solving) → Post purchase behaviour

- Product
- Price
- Distribution
- Promotion
- Psychological factors
- Cultural factors
- Economic factors
- Environmental factors

- Awareness of needs and wants
- Search for information
- Evaluation of alternatives
- Purchase decision

**Fig. 4.18 Determinants of Consumer Behaviour**

<table>
<thead>
<tr>
<th>Cultural</th>
<th>Social</th>
<th>Personal</th>
<th>Psychological</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture</td>
<td>Reference</td>
<td>Age and life style</td>
<td>Motivation</td>
</tr>
<tr>
<td>Sub culture</td>
<td>Groups</td>
<td>Occupation</td>
<td>Perception</td>
</tr>
<tr>
<td>Social class</td>
<td>Family</td>
<td>Economic</td>
<td>Learning</td>
</tr>
<tr>
<td></td>
<td>Roles and circumstances</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Status</td>
<td>Life style and personality</td>
<td>Beliefs and attitudes</td>
</tr>
</tbody>
</table>
Broadly, the determinants of consumer behaviour can be categorized as: Cultural factors; Social factors; Personal factors; and Psychological factors. Cultural factors have deep rooted influence on consumer behaviour. These factors include culture, sub-culture and social class. The social factors include reference groups, family and social roles and status. While designing a marketing strategy, the marketer must carefully consider the nature and extent of social influences on the potential customers. A consumer behaviour is also influenced by personal factors like age and life cycle, occupation, economic circumstances, life style and personality.

Psychological factors like motivation, perception, learning and beliefs and attitudes influence the consumer behaviour considerably. Every person has needs arising from biological forces like the needs arising from the states of tension such as hunger, thirst or discomfort or from psychological forces arising from the need for recognition esteem or belonging. Table 4.5 lists some important needs that might motivate a person to some action.

The list of needs is not complete, but, thinking of such needs helps to see what benefits consumers might seek from marketing mix. The process of motivation begins with the need and ends with the satisfaction of the need. A well-known Psychologist Maslow has arranged different kinds of needs in a hierarchy of position and has
shown that only an unsatisfied need motivates people into certain kind of behaviour. Fig.4.19 depicts the hierarchy of needs.

**Table 4.5 Possible Needs Motivating a Person to Some Action**

<table>
<thead>
<tr>
<th>Types of Needs</th>
<th>Specific Examples</th>
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<tbody>
<tr>
<td>Physiological needs</td>
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<tr>
<td>Hunger</td>
<td>Thirst</td>
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<tr>
<td>Sex</td>
<td>Body elimination</td>
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<tr>
<td>Rest</td>
<td>Activity</td>
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<td></td>
<td>Self-preservation</td>
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<td></td>
<td>Sleep</td>
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<td></td>
<td>Warmth/coolness</td>
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<tr>
<td>Psychological needs</td>
<td></td>
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<tr>
<td>Aggression</td>
<td>Curiosity</td>
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<tr>
<td>Family preservation</td>
<td>Order</td>
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<tr>
<td>Nurturing</td>
<td>Power</td>
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<tr>
<td>Playing-relaxing</td>
<td>Tenderness</td>
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<tr>
<td>Self-identification</td>
<td>Being</td>
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<td>responsible</td>
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<td></td>
<td>Independence</td>
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<td>Personal</td>
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<td>fulfillment</td>
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<td>Price</td>
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<td></td>
<td>Dominance</td>
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<td></td>
<td>Love</td>
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<td></td>
<td>Playing-competition</td>
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<td></td>
<td>Self-expression</td>
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<td>Achievement</td>
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<td>Variety</td>
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<td>Sadness</td>
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<td>Pressure</td>
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As it is seen from Fig.4.19 that the needs are divided into five categories and one category of needs must be satisfied before the second category arises and the second category must be satisfied reasonably before the third category arises. When all needs remain unsatisfied, physiological needs have the dominating influence on human behaviour. Safety needs come next in their significance in influencing the human action and reaction and in this order the self-actualization needs which provide impetus to utilize one's talents or
potentialities have their influence on human behaviour felt only after all the first four categories of needs have been reasonably satisfied.

REFERENCES


17. Ibid, p.87.


