CHAPTER II
MARKETING CONCEPTS, PRINCIPLES & STRATEGIES

2.1 The Evolution of Marketing

The origin of Marketing as an identifiable economic activity can be traced to the time when human beings organized themselves as a family unit. Though it is not yet certain of the exact period when marketing began, it can be safely assumed that as long as human being began to exist on the face of this earth, there must have been some sort of trade practice. Going by the historical accounts of trade practice, some conclude that as long as there have been people, some form of marketing has been going on. “Over 6,000 years of recorded history document that the roots of both Western and Eastern civilization included some form of trade”.1

Marketing is a product of human civilization. The earliest man, the early races of Homo sapiens, who began to inhabit the earth around the year 20000 B.C. in the upper Paleolithic period, lived a purely vegetative life by hunting and eating the natural products of his land. Later, following Neolithic period, as man began to feel the need of more food, he began to cultivate on his land. Thus agriculture became a part of his daily activities.

With the close of the Neolithic period and the introduction of metals, the age of innovation in agriculture was largely over. The historical period, highlighted by agricultural development began from 2500 B.C. Improvements in tools and implements refined the irrigation system and expanded the land of cultivation. In many regions fishing and hunting supplemented the food grown by farmers. As time passed, the concept of specialization in one area and the idea of division of labor
began to evolve. Skilled laborers began to concentrate on the production of goods in which they had skill and expertise. This resulted in the production of more items than a person needed in some cases and less in some others. This paved the way for laying the foundation for marketing.

“Whenever a person made more than he needed or wanted more than he made, the foundation was laid for trade, and trade is the heart of marketing”.2 Thus man began to think in terms of exchanging one item for another. Even food materials cultivated in one farm was exchanged for tools and animals. Thus, ever since the earliest period which was devoid of any kind of marketing, there has been a gradual transition into some kind of sales and purchases by means of an exchange system known as the barter system.

Later it was found that a common medium of exchange would make the transactions easier. Thus coins of copper, bronze, iron etc. came to be used and money was found to be far more efficient and convenient. Thus money came to play an important role in marketing in all civilizations.

Then, goods began to be produced in large quantities by small producers for future use. Some wealthy producers began to engage the services of laborers under them to work in their workplaces. They also employed agents to find markets for their products. “As the size of wealthy class increased some goods and shops emerged that catered to the rich, and here some of the characteristic consumer-oriented retailing first appeared.”3

2.1.1 The Industrial Era

The mercantilism that appeared as a result of the Industrial Revolution encouraged the emergence of strong independent nations by protecting home
industry and by achieving trade surpluses. Mercantilism practiced by all colonial powers from the 15th century to the time of *laissez faire* economic doctrine, gave way to the modern marketing with the Industrial Revolution. The growth of urban centers and factories, the by-products of the Industrial Revolution, produced goods on mass scale. As the production exceeded the demand, better methods had to be devised to market the industrial output. Agents and sales men were added to develop to new markets and to protect or expand company sales in existing markets. The inventions of large machines and the rapid expansion of economic and industrial growth resulted in large scale marketing. “By the mid-1920s, mass production had provided sufficient products for consumers to satisfy many of their needs and wants, and the strong demand for products subsided”.4

The marketing concept that has passed through various stages has brought home to the marketers that the success of marketing by and large will depend on finding out the needs of the customers and satisfying them. The modern concept has given a customer orientation to the concept of marketing. It has brought to the minds of the sellers that production should be guided by the needs of the people. Since the present day needs of the people are changing very rapidly, sellers have to be very sensitive to the marketing pulse and produce goods accordingly to compete with the challenging marketing concepts.

The term ‘marketing’ in the modern sense is more than selling and advertising. Marketing is to be taken in the sense of *satisfying customer needs*. The seller of articles has to primarily understand the needs of the prospective buyers of his products. Keeping in mind the needs of the buyers, he has to manufacture products of good quality. Then he can go ahead with the distribution of the products
with a competitive price. “If the marketer does a good job of understanding consumer needs; develops products that provide superior value; and prices, distributes, and promotes them effectively, these products will sell easily”

So, the first and foremost step that a marketer has to take into consideration is the need of the buyers. It is only after having made a thorough survey and study of the needs of the people who are the prospective buyers of his products should the marketer go into the production process. The next factor that should be the guiding principle of a manufacturer is quality of the product. A good manufacturer is the one who captures the interest of the buyers of his products with their uncompromising quality. He gives priority to winning the good will of the customers and establishes a relationship with them which takes larger dimensions in the course of time as he widens the areas of distribution with the help of various marketing strategies.

2.2 Marketing Management

Marketing management represents marketing concept in action, i.e., pre-planned demand management under customer-oriented marketing philosophy. Marketing management looks after the marketing system of the enterprise. It involves planning, implementation and control of marketing programs included in the process of marketing. Marketing management is directly in charge of setting the goals/objectives of marketing, developing marketing plans for their accomplishment, organizing the marketing activities needed to carry on these objectives, implementing the marketing programs and controlling them as per needs. Marketing management in fact, represents an important functional area of business management efforts under which goods and services flow from the producers to consumers. Marketing management takes place when at least one party to a potential exchange gives
thought to objectives and means of achieving desired responses from other parties. “Marketing Management is the process of planning and executing the conception, pricing, promotion, and distribution of goods, services, and ideas to create exchanges with target groups that satisfy customer and organizational objectives” (American Marketing Association). “Marketing management is the analysis, planning, implementation, and control of programs designed to bring about desired exchanges with target audiences for the purpose of mutual or personal gain. It relies heavily on the adaptation and coordination of product, price, promotion and place of achieving effective response.”

Marketing management can occur in an organization in connection with any of its markets. Marketing management is historically identified with tasks and personnel dealing with the customer market. Marketing work in the customer market is formally carried out by sales managers, sales people, advertising and promotion managers, marketing researchers, customer service managers, product and brand managers, market and industry managers, and the marketing vice-president. Each job carries well-defined tasks and responsibilities. Many of these jobs involve managing particular marketing resources such as advertising, salespeople, or marketing research. On the other hand, product managers, market managers, and the marketing vice-president manage programs. Their job is to analyze, plan, and implement programs that will produce a desired level and mix of transactions with target markets. Marketing management has the task of influencing the level, timing and composition of demand in a way that will help the organization achieve its objectives. Marketing management is essentially demand management.
2.3 Marketing Strategies

The art of action planning to achieve a specific goal is called strategizing and the action plan is called strategy. “A marketing strategy articulates the best use of the firm’s resources and tactics to achieve its marketing objectives. It should also match the customers’ desire for value with organization’s distinctive capabilities. Internal capabilities should be used to maximize external opportunities. The planning process should be guided by a marketing –oriented culture and processes in the organization. When properly implemented, a good marketing strategy also enables a company to achieve its business –unit and corporate objectives. Although corporate, business unit, and marketing strategies all overlap to some extent, the marketing strategy is the most detailed and specific of the three.”

Marketing strategy is the analysis, development, and implementation of the selected market target strategies for product markets in which the organization has an interest. It involves implementing and managing the marketing strategies that have been formulated to meet the marketing objectives and customer needs. It focuses on the performance of a products/service in the target market and combines the customer- influencing strategies with market- focused activities to gain a competitive advantage in the industry.

2.3.1 Product Life Cycle Marketing Strategies

A company’s positioning and differentiation strategy must change as the product market and competitors change over time. The concept of product life cycle and the normal change as the product passes through each life cycles stage is explained as follows:

To say that a product life cycle to assert four things:
1. Products have a limited life.

2. Product sales pass through distinct stages, each posing different challenges, opportunity and problems to seller.

3. Profits rise and fall at different stages of the product life cycle.

4. Products require different marketing, financial, manufacturing, purchasing and human resource strategies in each life cycle stage.

2.3.2 Stages in Product life cycle

A product life cycle is typically divided into four stages: introduction, growth, maturity & decline, and marketers persuade different strategies in each stage:

2.3.3 Marketing Strategies: Introduction Stage

Because it takes time to roll out a new product and fill dealer pipelines, sales growth finds to be slow at this stage. Robert Buzzell identified several causes for the slow growth: delay in the expansion of production capacity; technical problems; delays in obtaining adequate distribution through retail outlet and customer reluctance. Sales of expensive new products such as high definition electric stoves are retarded by additional factors such as product complexity and fewer buyers.

Profits are negative or low in the initial stage. Promotional expenditure in their highest ratio to sales because of the need to inform (1) Inform potential customers (2) induce product trial and (3) secure distribution in retail outlets. Firms focused on those buyers who are the readiest to buy, usually the higher income groups. Prices tend to be high because costs are high.
2.3.4 Marketing Strategy at Growth Stage

The growth stage is marked by a rapid climb in sales. Early adopters like the product and additional consumers start buying it. New competitors enter attracted by the opportunities. They introduce new product features and expand distribution. Prices remain where they are or fall slightly, depending on how fast demand increases. Companies maintain their promotional expenditure at the same or at a slightly increased level to meet competition and to continue to educate the market. Sales rise much faster than promotional expenditure, causing a welcome decline in the promotion-sales ratio. Profits increase during this stage as promotion costs are spread over a larger volume and unit manufacturing costs fall faster than prices declines owing to the producers learning effect. Times have to watch for a change from an accelerating to a decelerating rate of growth in order to prepare new strategies.

During this stage, the firm uses several strategies to sustain rapid market growth:

- It improves product quality and adds new product features and improved styling.
- It adds new models and flanker products (i.e, products of different sizes, flavors and so forth that protect the main product).
- It enters new market segments.
- It increases its distribution coverage and enters new distribution channels.
- It shifts from product awareness-advertising to product –preference advertising.
• It lowers prices to attract the next layer of price sensitive buyers.

These market expansion strategies strengthen the firm’s competitive position. A firm in the growth stage focuses a tradeoff between high market share and high current profit. By spending money on product improvement, promotion and distribution, it can capture a dominant position; it forgoes maximum current profit in the hope of making even greater profits in the next stage.

2.3.5 Marketing Strategies: Maturity Stage

At some point, the role of sales growth will slow and the product will enter a stage of relative maturity. This stage normally lasts longer than the previous stages and poses formidable challenges to marketing management. Most products are in the maturity stage of the life cycle and most marketing managers cope with the problem of marketing the mature products.

The maturity stage divides into three phases: growth, stable and decaying maturity. In the first phase, the sales growth rate starts to decline. Those are no new distribution channels to fill. In the second phase, sales flatten on a per capita basis because of market saturation. Most potential consumers have tried the product and future sales are governed by population growth and replacement demand. In the third phase, decaying maturity, the absolute level of sales starts to decline and customers begin switching to other products.

The sales slowdown creates over capacity in the industry, which leads to intensified competition. Competitors scramble to find niches. They, engage in frequent markdowns. They increase advertising and trade and consumer promotion. They increase R&D budgets to develop product improvements and line extensions; they make deals to supply private brands. A shake out begins and weaker competitors withdraw. The industry eventually consists of well-intentioned competitors whose basic drive to gain or maintain market share.
Dominating the industry are a few giant firms perhaps a quality leader, a service leader and a cost leader that serve the whole market and make their profit mainly through high volumes and lower costs surrounding these dominant firms is a multitude of market niches, including market specialists, product specialists and customizing firms. The issue facing a firm in a mature market is whether to struggle to become one of the ‘big three” and achieve profits through high volumes and low costs or to pursue a niching strategy and achieve profits through low volume and a high margin.

Some companies abandon weaker products and concentrate on more profitable products and on new products. Yet they may be ignoring the high potential many mature markets and old products still have. Industries widely thought to be mature: autos, motorcycles, television, watches, home appliances –were proved otherwise by the Japanese, who found ways to offer new values to customers through-

- Product –positioning strategy
- Product-repositioning strategy
- Product overlap strategy
- Product scope strategy
- Product design strategy
- Product elimination strategy
- New product strategy
- Diversification strategy
- Value marketing strategy

2.3.5.1 Product-Positioning Strategy
The term positioning refers to placing a brand in that part of the market where it will receive a favorable reception compared to competition products. As a matter of strategy, therefore a product should be matched with the consumer segment of the market in which it is most likely to succeed. The product should be positioned so that it stands apart from competing brands.

2.3.5.2 Product Repositioning Strategy

Often a product may require repositioning. This can happen if (a) a competitive entry is positioned next to the brand, creating an adverse effect on its share of the market (b) consumers preferences changes (c) new customers preferences clusters with promising opportunities are discovered; or (d) a mistake is made in the original positioning.

2.3.5.3 The Product Overlaps Strategy

The product overlap strategy may be understood as competing against one’s own brand through introduction of competing products, use of private labeling and selling to original equipment manufacturers. Such products overlap strategy is developed and implemented by the companies do attract more customers to the product and thereby increase the overall market and to work at full capacity and do spread overhead.

2.3.5.4 Product Scope Strategy

To increase economies of scale by developing specialization for the single product a company may focus the PSS. This strategy may be aimed for multiple products to cover the risk of potential obsolescence of the single product by adding additional products.
2.3.5.5 The Product – Design Strategy

It deals with the degree of standardization of a product. The company has a choice among the following strategic options, viz standard products, customized products and a standard product with modification. To develop the standard product the company should aim to increase economies of scale while the company should focus the strategy for customized product to compete against mass producers of standard product through product design flexibility. The company needs to do close analysis of product/market perspectives and environmental changes, especially technological changes. The implementation of this strategy would benefit the company to increase in growth, market share and profits.

2.3.5.6 The Product Elimination Strategy

On the contrary the product elimination strategy aims at shopping the best possible mix of products balancing the total business. This strategy would help to eliminate undesirable products because their contribution cost is too low and they do not fit in the overall business strategy.

2.3.5.7 New Product Strategy

A new product strategy is difficult to implement is a “new product development system” doesn’t exist within a company. Five components of this system should be assessed; (a) corporate aspiration towards new products (b) organizational openness to creativity (c) environment favor towards creativity (d) screening methods for new ideas, and (e) evolution process. The new product
strategy is required to meet new needs and to sustain competitive pressures on existing products. In the first case, the new product strategy is an offensive one; in the second case it is a defensive one.

### 2.3.5.8 Product Diversification Strategy

The product diversification strategy is developed for developing unfamiliar products & markets through (a) concentric diversification (product introduced are related to existing ones in terms of marketing or technology), (b) horizontal diversification (new products are unrelated to existing ones but are sold to the same customers) and (c) conglomerate diversification (products are entirely new). Diversification strategies respond to the desire for (a) growth when current products/markets have reached maturity and stability by spreading the risks of fluctuations in earnings.

### 2.3.5.9 Value-Marketing Strategy

This strategy concerns delivering on promises made for the product or services. These promises involve product quality, consumer service and meeting time commitments. Value marketing strategies are directed towards seeking total consumer satisfaction. It means striving for excellence to meet customer expectations to implement value-marketing strategy a company should check the following requirements:

- Examine customer value perspective.
- Design programs to meet customer, quality service & time requirements; and
- Offer training to employees and distribution to deliver on promises.
This strategy enhances customer satisfaction, which leads to customer loyalty and hence to higher market share. This strategy makes the company less vulnerable to price wars, permitting the firm to charge higher prices that may help in earning higher profits.

2.3.6 Marketing Strategies Decline Stage

Sales decline for a number of reasons including technological advances, shifts in consumer’s tastes and increased domestic and foreign competition all bad to over capacity increased price cutting and profit erosion the decline might be slow. Sales may paunch to zero or they may petrify at a low level.

As sales and profits decline some firms withdraw from the market. Those remaining may reduce the number of products they offer. They may withdraw from smaller market segments and weaker trade channels, and they may cut their promotion budgets and reduce prices further.

Unfortunately most companies have not developed a policy for handling aging products. Logic may also play a role. Management believes that product sales will improve when the economy is improved or when the marketing strategy is revised, or when the product is improved or the weak product may be retained because of its alleged contribution to the sales of the companies other products; or its revenue may cover out of pocket costs, even it does not bring a profit.

Unless there is a strong reason for retention exist, caring a weak product is very costly to the firm, and not just by the amount of uncovered overhead and profit mailing to eliminate weak products delays the aggressive search for replacement products. The weak products create a lopsided product mix- long on yesterday’s bread winners and short on tomorrow.
2.4 Marketing Mix

Marketing activities do not take place in a vacuum. The marketing environment which includes competitive, economic, political, legal and regulatory, technological and socio-cultural forces surrounds the customers and affects the marketing mix. The forces of marketing environment affect a marketer’s ability to facilitate exchanges in 3 general ways. First, they influence customers by affecting their lifestyles, standard of living and preferences and needs for products marketing environment forces can fluctuate quickly and dramatically which is one reason marketing is so interesting and challenging because these forces are closely interrelated. Changes in one may cause changes in others. Even though changes in the marketing environment produce uncertainty for marketers and at times hurt marketing efforts they also create opportunities. Marketers who are alert to changes in environmental forces cannot only adjust to and influence these changes but also capitalize on the opportunities such changes provide.

Marketing involves a series of activities directed towards satisfying the needs and wants of the customers. “Marketing is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market.” It begins with developing a product that will satisfy the customers and making it available to the customer in the right place at an acceptable price to him. These activities—production, distribution (place), promotion, and pricing—are known as the marketing mix. It is obvious, hence, that a clever marketing manager develops a marketing mix that matches the needs of his customers. A suitable marketing mix can be developed only after making a survey and study of the needs of the customers and the environment in which the products are to be marketed. Marketing Mix is one of the
most famous phrases in marketing. It is an effective tool that can be used to achieve success in marketing.

It consists of the four elements of marketing tactics, known as the four Ps: product, price, place and promotion. The concept is simple. All the four Ps are within the control of the marketing manager. He can make use of his discretion and tackle each of these Ps according to the suitability or the marketing climate. The goal is to focus on the customer’s satisfaction and to get maximum profit. It is up to the organization to effectively blend these four marketing mix variables in an optimal manner so as to obtain a positive response. “Different elements of marketing mix can be adopted to accommodate different marketing strategies.”\(^9\) An organization bent on effective marketing should have a clear idea about the four elements in the marketing mix: product, price, place and promotion and how to make effective use of each element.

2.4.1 Product

The first element in the marketing mix is the product. It is the basic tool of marketing mix. It includes the product quality, design, features, branding and packaging. “A product is anything that satisfies a need or wants and can be offered in an exchange. A product can be a good, service, or idea.”\(^10\) “It can be either tangible or intangible and includes functional, social, and psychological utilities or benefits.”\(^11\) The product of an organization is both the physical product as well as the service offered to the customer.

In marketing the word product means any kind of articles or services offered to a customer to satisfy his needs and wants. A product has three basic levels. The first level
is called the core product. It is the benefits enjoyed by the consumer by buying the product. When a consumer buys a fridge, the core purchase is not so much in the fridge, as in the benefits offered by the fridge, like being able to preserve food materials in the fridge without getting spoiled.

The second level is the actual product which is built around the core product. The actual product consists of the brand name, features, packaging, etc. These components supplement the benefits of the first level.

The third level of product consists of additional services and benefits that surround the first two levels of the product. The services include technical assistance in operating the product and future service agreements. The product decisions include function, appearance, packaging, service, warranty, etc. The question is: does the firm produce what its prospective customers need? Hence the organization has to define the qualities of the products or services that meet the needs of the customers.

People always want new products. Hence, every firm must give keen attention to developing new products. Companies that fail to develop new products are at a risk of losing their attraction. “Their existing products are vulnerable to changing consumer needs and tastes, new technologies, shortened product life cycles, and increased domestic and foreign competition.”

2.4.1.1 Product Mix

A product mix is that total set of brands marketed by the company. The width of the product mix is the number of product lines that a company offers. Companies increase the width of their product mix to speed their risk across many product lines rather than depending on one or a few of them. They also widen their product mix to capitalize on their established brand equity. A company’s product mix is never static.
Customer’s preferences change, new customer segments emerge, and company’s competencies and priorities change. All these changes warrant a change in a company’s product mix.

A product mix is the composite, or total, group of products that an organization makes available to customers. Therefore the company managers should have a comprehensive understanding of the relationship of one product with the other. “Marketers must understand the relationships among all the products of their organization of products.”

2.4.1.2 Product Strategy

Each product includes bundle of attributes, capable of exchange and use. Product planning refers to the systematic decision making related to all aspects of the development and management of the products of a company, including branding and packaging.

One of the important requirements for marketing efficiency is proper product planning. It is essential for a firm to sell the product, which is the choice of a potential consumer, who decides the marketing range or production range of the product. It is observed that introducing such products that the customers buy only in small quantity and those products that the customers do not buy incur financial losses. Therefore it is essential to plan the introduction of products in the market in such a way so as to optimize the profit of the firm and its efficiency too.

2.4.1.3 Dimensions of Product Strategies

Product strategies specify market needs that may be served by different product offerings. The product strategies of the company are duly related to market
strategies that eventually come to dominate both the overall strategy and the spirit of the company. Product strategies deal with matters such as numbers and diversity of products, products innovations, product scope and product design.

The implementation of product strategy requires cooperation among different groups; finance, research and development, the corporate staff and marketing. This level of integration makes product strategies difficult to develop and implement. In many companies to achieve proper coordination among diverse business units, product strategy decisions are made by top management. In some companies the overall scope of product strategy is laid out at corporate level, whereas the actual design is left to business units. Such an alternative is more desirable than other arrangements because it is difficult for the top management to deal with the details of product strategy in a diverse company.

2.4.2 Price

The second element in marketing mix is the price. The very purpose of marketing is to make money in an atmosphere of satisfying exchange relationships between buyer and the seller. “Price is the value exchanged for products in a marketing exchange.” It is the cost of the product that the consumer has to pay to buy the product. Price is one of the basic factors that a consumer takes into consideration before he takes a decision to buy or not to buy a commodity. A Company earns revenues by charging a price from buyers. Price is the value that the company expects to get from customers in return of the product or the service the company is provides to the customer. Price is what the company gets back in return for all the effort that it puts in to manufacturing and marketing the product. The other three elements of the marketing mix i.e. product, promotion and distribution incur
costs. If the price does not cover the costs, the company will make a loss. Both undercharging and overcharging will have detrimental efforts on profitability.

Price should be blended with other elements of the marketing strategy to form a coherent mix that provides superior customer value. Price is a part of positioning strategy since it sends quality cues to customers.

2.4.2.1 Pricing

Though a consumer’s desire to buy has no limits, his ability to purchase a thing is limited. Hence, before he decides to buy a thing, he will take into consideration how much a thing will give him satisfaction. Therefore, a firm should decide upon the objectives of pricing before determining the price itself.

The main objectives in pricing may be:

(i) achieving target return on investments on net sales;
(ii) to stabilize prices;
(iii) maintain or improve target share of the market;
(iv) meet or prevent competition; and
(v) maximize profits.

The decision on price may be taken considering a few factors such as: demand for the product, the competitive response in the market, the scope and channels of promotion and so on. Determining the price of the products is a sensitive matter and should be done using different skilful and clever strategies. Pricing objectives are established as a company’s overall objectives. Depending on the suitability, pricing objectives usually take one of the four forms: profitability, volume, meeting the competition and prestige.
Profitability pricing objective focuses mainly on maximizing profit. Under profitability objectives, a company increases its prices so that additional revenues will meet the production costs. The volume pricing objective aims at maximizing the sales volume within a given profit margin. It gives more focus on increasing the sales rather than on an immediate increase in profits. Meeting the price level of competitors is the third pricing strategy. The focus is less on price and more on non price competition items such as location and service. In prestige pricing, products are priced high and consumers purchase them as status symbols. “When engaging in price competition, a marketer emphasizes price as an issue and matches or beats the prices of competitors”16

Decisions on pricing should take into account the pricing responses of rival organizations and competitors and the probable pricing that would fetch a reasonable profit. It is a part of the pricing strategy to know how much the intended customers are willing to pay. Even if a marketer is willing not to take sufficient money for a product, it should be a part of the conscious willing decision and should form a part of the pricing strategy.

Pricing includes not only the list price, but also discounts, financing and other options such as leasing. In the marketing mix, price is the only thing that can be called easily flexible. “Often price is the only thing a marketer can change quickly to respond to change in demand or to actions of competitors.”17 Price is a key element in the marketing mix because it relates directly to the generation of total revenue.
2.4.2.2 Pricing Strategy

Pricing goods and services is a critical job to maximize the profit of business organizations. Price is the one element of the marketing mix that generates revenue, the rest are costs. Many marketing executives exercise their best to increase prices to boost short term profits.

The selection of pricing objectives is determined by the decision of the business positioning. Many organizations need profits to satisfy the stake holders and allocate resources for the product development. The other objective for the pricing strategy for a growing company may be maximizing the revenue, maximizing the market share and achieving the quality leadership. Several factors influence management decisions about how prices will be used in marketing strategy. An important concern is estimating how buyers will respond to alternative prices for a product or service. When an organization forms a new distribution network, selection of the channel and intermediaries may be driven by price strategy.

2.4.3 Promotion

Promotion is one of the key elements in marketing mix. “Promotion is any communication used to inform, persuade, and/or remind people about an organization’s or individual’s goods, services, image, ideas, community involvement, or impact on society.”

It is a communication process that takes place between a business and the public who are interested in the business and what the business produces and offers for sale. Therefore an effective business plans promotional activities with communicational activities in mind. In fact, promotion planning is a systematic
decision making relates to all aspects of an organization’s or individual’s communication efforts. There are different promotion tools that facilitate promotion.

The four basic promotion tools are: advertising, sales promotion, public relations and personal selling. Each of these four tools has its own characteristics and functions to perform.

“Advertising is any paid form of no personal presentation and promotion of ideas, goods, or services by an identified sponsor.”\(^{19}\) It is through advertisements that an organization invites or persuades the public or the customers to purchase a product or service. The second promotional tool is sales promotion. Sales promotions are short-term incentives used to encourage consumers to purchase a product or service. It is a key ingredient in marketing campaigns.

“Sales promotion consists of a diverse collection of incentive tools, mostly short term, designed to stimulate quicker and/or greater purchase of particular products/ services by consumers or the trade.”\(^{20}\) While advertising offers or presents a reason to buy, sales promotion offers an incentive to buy.

Three basic categories of sales promotion are; consumer, trade and business. Consumer promotion tools include samples coupons, rebates, price packs, etc. Trade promotion tools include discounts and allowances directed at wholesalers and retailers. Business promotion tools include conventions and trade shows. Sales promotion has several advantages over other promotional tools because it can produce a more immediate consumer response, attract more attention and create product awareness, measure the results and increase short-term sales.

Public relations are the third promotional tool. “Public relations include any communication to foster a favorable image for goods, services, organizations,
people, places, and ideas among their publics—such as consumers, investors, government, channel members, employees, and the general public.” Public relation tools help an organization to build up positive relationship with various groups. It enhances the credibility of a product.

The last promotional tool is personal selling. “Personal selling can be characterized as a process designed to provide customer satisfaction.” It is an interpersonal influence and information-exchange process. It is very effective in promoting business because an immediate response is received by sales persons from the customer. Another advantage of personal selling is that sales persons can shape the information to fit the needs of the customer. The specific activities involved in the selling process will differ from person to person and from situation to situation. Therefore, it goes without saying that a promotion will be effective only if an organization combines and blends all the four promotion tools to achieve a proper promotional mix. The decisions on promotions are those related to communicating and selling the products to customers. Since these costs can be large in proportion to the product price, a break-even analysis should be performed when making promotion decisions.

2.4.3.1 Promotion Strategies

Promotion 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 function of these. One of the major issues associated with the development of effective promotion strategy is the availability of financial resources for a specific product/market. The distribution of the budget among advertising, personal selling
and sales promotion is another strategic matter. The formulation of strategies of promotion plays in a particular situation. Promotion strategy consists of planning, implementing & controlling communications from an organization to its customers and target audiences. It is important to recognize that word-of-mouth communication among buyers. And the communications of the other organizations may also influence the target audience of the company.

2.4.3.2 Factors in setting the Promotion Mix

The promotion –mix has the following components:

- Advertising
- Personal selling
- Sales promotion
- Direct marketing
- Publicity

Companies consider many factors when developing their promotion mixes, including type of product/market, the use of a push or pull strategy, the buyer readiness stage, and the product life cycle stage.

2.4.3.3 Promotion Mix Strategies on the basis of Product/Market

The importance of different promotion tools varies between consumer and business markets. Consumer goods companies usually put more of their funds into advertising, followed by sales promotion, personal selling, and then public relations. In contrast, industrial goods companies put more their funds in selling, followed by sales promotion, advertising, and public relations. In general, personal selling is used
more heavily with expensive and risky goods and in markets with fewer and larger sellers.

Although advertising is less important than sales calls in business markets, it still plays an important role. Business to business advertising can build product awareness and knowledge, develop sales leads, and reassure buyers. Similarly, personal selling can add a lot to consumer goods marketing efforts. It is simply not the case that “salespeople put products on shelves and advertising takes them off.”

2.4.3.4 Push versus Pull Strategy

The promotional mix is affected heavily by whether the company chooses a push or pulls strategy. A push strategy involves “pushing” the product through distribution channels to final consumers. The producer directs its marketing activities (primarily personal selling and trade promotion) towards channel members to induce them to carry the product and to promote it to final consumers. Using a pull strategy, the producer directs its marketing activities (primarily advertising and consumer promotion) toward final consumer to induce them to buy the product. If the pull strategy is effective, consumers will demand the product from channel members, who will in turn demand it from producers. Thus, under a pull strategy, consumer demand “pulls” the product through the channels.

Some small industrial goods companies use only push strategies, some direct marketing companies use only pull. Most large companies use some combination of both. In recent years, consumer goods companies have been decreasing the pull portions of their promotion mixes in favor of more push.
2.4.3.5 Buyer Readiness Stage

The effects of the promotional tools vary for the different buyer readiness stages. Advertising, along with public relations, plays the major role in the awareness and knowledge stages, more important than that played by “cold calls” from salespeople. Customer liking, preference, and conviction are more affected by personal selling, which is closely followed by advertising. Finally, closing the sale is mostly done with sales calls and sales promotion. Clearly, personal selling, given its high costs, should focus on the later stages of the consumer buying process.

2.4.3.6 Channel Decisions and Strategies

Decisions regarding inventory management have a direct bearing on a producer’s selection of channels and the location of middlemen. Logical considerations may become paramount, for example, when a company decides to decentralize its inventory. In this case, management must determine (1) how many sites to establish and (2) whether to use wholesalers, the company’s own warehouses, or public warehouses. One producer may select merchant wholesalers that perform storage and other warehousing services. Another may prefer to use a combination of manufacturers’ agents for aggressive selling and public warehouses for assembling and shipping orders.

2.4.3.7 Distribution Scope Strategy

The distribution scope strategy is advantageous for establishing the distribution of Gs & Ss effective with the target consumers. The company may choose to implement the exclusive d/n strategy wherein one retailer is granted sole rights in serving a given area or intensive distribution approach in which a product is made
available at all possible retail outlets. The company can also prefer to have the selective distribution approach to serve many customers but not through all the retail outlets in a given area that distribute the product.

This strategy should be followed with the objective to serve chosen markets at a minimal cost while maintaining the desired product image. However the distribution scope strategy would result into low degree of control, higher sales volumes, wider customer recognition, high turnover and price discounting when applied into the intensive distribution environment.

2.4.3.8 The Multiple Channel Strategy

This strategy employs two or more different channels for the distribution of goods and services. Multiple-channel distribution has two basic categories - complementary and competitive. In complementary approach each channel handles a different non-competing product or market segment and two different and competing channels sell the same product in the competitive type of the multiple channel distribution strategy. This strategy may be followed to the competitive type of the multiple channel distribution strategy. This strategy may be followed to achieve optimal access to each individual market segment to increase business. Complimentary channels are used to reach market segments otherwise left un-served while the competitive channels are used with the hope of increasing sales. The complementary channels may be promoted by assessing geographic consideration. The volume of business, need to distribute non-competing items and saturation of traditional distribution channels in the given area of the company. However the use of the competitive channel can be a response to environmental changes.
2.4.3.9 The Channel Modification Strategy

This strategy introduces a change in the existing distribution arrangements on the basis of evaluation and critical review in order to maintain an optimal distribution system given a changing environment. Evaluation of internal/external environmental shifts is required to implement changes in consumer market and buying habits; changes in the retail lifecycle, changes in the product life cycle. One of the requirements of the channel modification strategy is continuous evaluation of existing channels cost/benefit analysis consideration of the effect of the modified channel on other aspects of the marketing mix and ability of the management to adapt to the modified plan. This strategy may reveal results towards maintenance of an optimal distribution system for dealers and customer with effect to suggested changes.

2.4.3.10 Channel Control Strategy

This strategy has the core objective to increase control, to correct in efficiencies, to realize the cost effectiveness through experience curves and to gain efficiencies of scale. Commitment and resources to fulfill leadership obligation is the major requirements to implement this strategy for distribution. Typically, the channel controller is a large firm with market leadership/influence; however it is not always observed. The implementation of channel audit is also one of the tools for exercising the channels control. The successful implementation of this strategy would result in increased control, professional management, maximizing market impact and elimination of internal and external inefficiencies. The channel control strategy would also help in central programming and achieving the operating economies for increased profitability.
2.4.3.11 The Conflict Management Strategy

This strategy would help in resolving conflict among channel members. This strategy may be followed to devise a solution acceptable to the conflicting members that they will cooperate to make it work. The choice of a strategy for solving the conflict needs reasonable bargaining with the affected parties and adopts a give and take attitude and the bottom line must be favorable enough to both parties to induce them to accept the terms of the bargain. This strategy would however provide scope for frequent formal interactions with the other party to develop an appreciation of each other’s perspectives and willingness to interact to solve problems.

2.4.4 Place

The fourth element of the marketing mix is place. Place decisions are associated with ways and means of distribution associated with reaching the products to the customers. The place or the physical distribution mix is adopted for the purpose of convenience to the customers. “A marketing channel (sometimes called a channel of distribution) is a group of interrelated individuals or organizations that direct the flow of products to customers.”23 The proper placement of products is done through various channels of distribution. They include interdependent manufacturers, wholesalers, and retailers. Proper distribution planning consists in making the products available to maximum possible customers and in keeping the physical distribution costs (inventory, transportation, and storage) as low as possible.

“The distribution variable also involves selecting intermediaries (Wholesalers and retailers), establishing and maintaining inventory control procedures, and developing and managing transportation and storage systems.”24 These intermediaries make a product or service available for use or consumption.
Each participant in the channel of distribution is concerned with the three basic utilities: to make a product available at the right time in the right place in the best manner possible with the least obstacles.

The channels of distribution operate either on conventional distribution or on vertical marketing system. There can be one or more independent product manufacturers, wholesalers, and retailers in the conventional channel. The vertical marketing system requires that producers, wholesalers and retailers work together to avoid channel conflicts. The distribution system performs transactional, logistical and facilitating functions. Making the products available at the right place, at the right time, in the right qualities is an effective dynamics of place marketing decision.

“Marketing-channel decisions are among the most critical decisions facing management. The company’s chosen channels intimately affect all the other marketing decisions.” Distribution decisions include market coverage, channel member selection, logistics, and levels of service. Distribution decisions are crucial in the progress of the business towards success. Therefore managers have to choose channels with proper care so that their selections and decisions will be conducive to the future selling environment as well as the current marketing atmosphere.

The function of the marketing mix is to help the organization to develop a package that will not only satisfy the needs of the customers but also maximize the performance of the organization. The marketing mix model can be used by marketers as a tool define and adopt marketing strategies to promote the goals of the organization. The controllable variables of the marketing mix can be adjusted to meet the challenging needs as well as the other dynamics of the marketing environment.
2.5 Target Market

Choosing target market and formulation of marketing strategy are intimately linked. Without right targeting, the firm cannot formulate an effective strategy. It is through careful segmentation and targeting that the firm picks up the right groups of consumers. Also, it is through this process that the firm gains vital knowledge about the needs and buying behavior of the consumers in each segment and the differences between one segment and the other.

2.5.1 Target Market Strategies

The company can follow one of three strategies – market aggregation, single-segment concentration or multiple segment targeting.

Market aggregation: One mass undifferentiated single marketing mix → market

Single Segment Strategy: Single marketing mix → Market segment A
Market segment B
Market segment C

Multiple Segment Strategy: Marketing mix A → market segment A
Marketing mix B → market segment B
Marketing mix C → market segment C

2.5.2 Guidelines in Selecting Target Market

- The target markets should be compatible with the organizational goals and image.
- The market opportunity represented in the target market must match with company’s resources.
Over the long run, a business must generate profit to survive. An organization should seek markets that will generate sufficient sales volume at a low enough cost to result in profit.

A company ordinarily should seek a market where there are least and smallest competitors. A seller should not enter a market that is already saturated with competition unless it has some overriding differential advantage that will enable it to take consumers from existing firms.\textsuperscript{26}

\subsection*{2.5.3 Strategies for Selecting Market}

The word market has a number of meanings. People sometimes use it to refer to specific location where products are bought and sold. A large geographic area may also be called a market. Sometimes the word refers to relationship between supply and demand of a specific product. Market may also be used as a verb meaning to sell something.

A market is a group of people who as individuals or as organizations have needs for products in a product class, and have the ability willingness, and authority to purchase such products. Market refers to persons seeking products in a specific product category. There are two groups of customers with different needs, buying preferences or product use behavior. In some markets, these differences are relatively minor and the primary benefit sought by customers can be satisfied with a single marketing mix. In other markets customers are unwilling to make the compromises necessitated by a single marketing mix. As a result alternative marketing mixes are required to reach the entire market. Whether it is large or small, the group of customers for whom the seller designs a particular marketing mix is target market.\textsuperscript{27}
There are two alternative targets – market strategies. One alternative is to treat the total market as a single unit – as one mass, aggregate market. This choice is based on the assumption that despite their differences, everyone in the market can be adequately satisfied with one marketing mix. That is customers are willing to make some compromises in order to enjoy the primary benefit the product offers, so the total market is the firm’s target. This is sometimes described as a “shot gun” approach (one program, broad target).

With the other alternative the total market is viewed as consisting of several smaller segments with differences significant enough that one marketing mix will not satisfy everyone or even a majority of the market. Because the firm typically cannot meet the needs of all these submarkets, one or more are selected as target market. This strategy employs a “rifle” “approach (separate programs, pinpointed targets) in marketing activities.28

In reality the nation of an aggregate market is relatively uncommon. The total market for most type of products is too varied, too heterogeneous – to be considered a single, uniform entity. Before a target market can be selected, they must be identified and described. This process is called market segmentation.29

<table>
<thead>
<tr>
<th>Market segmentation</th>
<th>Market targeting</th>
<th>Market positioning</th>
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</thead>
<tbody>
<tr>
<td>Identify the</td>
<td>Evaluate the</td>
<td>Identify possible</td>
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<td>segmentation variables</td>
<td>attractiveness of each</td>
<td>positioning concepts for each target</td>
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<td>and segment the market</td>
<td>segments</td>
<td>segments</td>
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<td>Develop profiles of</td>
<td>Select the target</td>
<td>Select, develop and</td>
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<td>resulting segments</td>
<td>segments</td>
<td>communicate the chosen</td>
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<tr>
<td></td>
<td></td>
<td>positioning concept</td>
</tr>
</tbody>
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2.6 Levels of Marketing Segmentation

Various levels of marketing are given below:

2.6.1 Mass Marketing: In mass marketing, the seller engages in the mass production, mass distribution and mass promotion of one product for all buyers.

2.6.2 Segment Marketing: A market segment consists of a large identifiable group within a market. A company that practices segment marketing recognizes that buyers differ in their wants, purchasing power, geographical locations, buying attitudes and buying habits. An auto company may identify four broad segments – car buyers seeking basic transportation, those seeking high performance, those seeking safety.

Thus segmentation is the midpoint between mass marketing and individual marketing. The consumers belonging to a segment are assumed to be quite similar in their wants and needs. Yet they are not identical; some segment members will want additional features and not included in the offer while others will gladly give up something that they don’t want very much.

2.6.3 Niche Marketing: A Niche is a more narrowly defined group, typically a small market whose needs are not being well served. Marketers usually identify niches by dividing a segment into sub segments. While segments are fairly large and thus normally attract several competitors, niches attract smaller companies. Niche marketers presumably understand their customers and willingly pay a price premium.30

2.6.4 Local Marketing: This is meant for the needs and wants of local customer group’s i.e. trading areas, neighborhood etc.
2.6.5. **Individual Marketing**: It is also known as customized marketing or one marketing. Mass communication is the ability to prepare on a mass basis individually designed products and communications to meet each customer’s requirements.

2.6.6. **Self Marketing**: Self marketing is a form of individual marketing in which the individual consumer takes more responsibility for determining which products and brands to buy.

Consider two purchasing agents with two different purchasing styles. The first may see several sales people who try to persuade him to buy their product. The second sees no sales people but rather logs on to the internet, looks up information about and evaluations of the available product/services offers, dialogues electronically with various suppliers’ users etc. and in the end makes up his own mind about the best offer. The second purchasing agent is taking more responsibility for marketing decision process and the traditional marketers have less influence over his final decision.31

2.7 Segmentation for the Consumer Markets

**Table T 2.1**

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<thead>
<tr>
<th>SEGMENTATION BASIS</th>
<th>TYPICAL MARKET SEGMENTS</th>
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</thead>
<tbody>
<tr>
<td>Geographic</td>
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<tr>
<td>Region</td>
<td>North India, South India, Central India etc.</td>
</tr>
<tr>
<td>Urban -rural</td>
<td>Urban, suburban, rural</td>
</tr>
<tr>
<td>Climate</td>
<td>Hot, cold, sunny, rainy-cloudy</td>
</tr>
<tr>
<td>Demographic</td>
<td></td>
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<tr>
<td>Income</td>
<td>Under Rs.10000, Rs.10000-25000, Rs.25000-35000 etc.</td>
</tr>
<tr>
<td>Age</td>
<td>Under 6, 6-12,13-19,20-34,35-49,50-64,65 &amp; above</td>
</tr>
</tbody>
</table>
2.7.1 Geographic Segmentation

It calls for dividing the market into different geographical units such as nations, states, regions, countries, cities etc. the company can decide to operate in one or few geographic areas or operate in all but pay attention to local variations in geographic needs and preferences. Some companies even subdivided major cities into smaller geographic areas.32

2.7.2 Urban, Semi-Urban and Rural Distribution

Many organizations segment their markets on the basis of city size or population concentration. They utilize urban, semi-urban, rural distribution.
2.7.3 Demographic Segmentation

Demographers study aggregate population characteristics such as distribution of age and gender, fertility rates, morality rates etc. Demographic characteristics that markets commonly use in segmenting markets include age, gender race, income education occupation, family size, family lifecycle etc. Marketers rely on these demographic characteristics because they are often closely linked to customer’s needs and purchasing power and can be readily measured.

Like demographers, a few marketers even use mortality rates. Service Corporation International (SCI), the largest US funeral services company, attempts locate its facilities in higher – income suburban areas with high mortality rates SCL operates more than 4000 funeral service locations, cemeteries, crematoriums etc.33

2.7.4 Gender

Gender segmentation has long been applied in clothing, hairstyling; cosmetics and magazines. Consider the cigarette market where most brands are smoked by both men and women .But brands like Eve and Virginia slims have been introduced accompanied by appropriate favor, packaging and advertising cues to reinforce a female image. It is unlikely that men will smoke Virginia slims. Another industry that is beginning to recognize gender segmentation is automobile industry. In the past, cars primarily were designed to appeal to men, with more women car owners; some manufacturers are designing certain cars appeal to women.34

Many marketers recognize the purchase influence of children and are targeting more marketing efforts at them as a group; Children aged 4 to 12 have annual income in excess of $27 billion. Numerous products are aimed specifically at
children – toys, clothing, food and beverages and entertainment such as movies. They spend approximately $23 billion and save $4 billion. Children in this age group spend more than $7 billion of their own money annually on snacks and beverages and more than $6 billion on toys and entertainment. In addition, children in this age group influence $188 billion of parental spending yearly. In households with only one parent or those in which both parents work, children often take on additional responsibilities such as cooking, cleaning, grocery, shopping etc.  

2.7.5 Family Life Cycle

Researchers have identified 9 distinct life cycles stage

1. Bachelor stage: young, single people
2. Young married couples with no children
3. Full nest1 – young married couples with children
4. Single parents: young or middle-aged people with dependent children
5. Divorced and alone: divorced with dependent children
6. Middle aged married: middle aged married couples without children
7. Full nest 2 – middle aged married couples with dependent children
8. Empty nest – older married couples with no children living with them
9. Older single – single people still working or retired.  

2.7.6 Social Class

Social class has a strong influence on the person’s preferences in cars, clothing home furnishings leisure activities etc. Many companies design products for specific social classes.
2.7.7 Behavioral Segmentation

Buyers are divided into groups on the basis of their knowledge, attitude towards the use of or response to a product.

2.7.8 Occasions

Buyers can be distinguished according to the occasions they develop a need and purchase a product. For e.g., air travel is triggered by occasions related to business, vacations or family. An airline can specialize in servicing people for whom one of these occasions dominates. Thus charter airlines serve groups of people who fly for vacation.

Orange juice is usually consumed at breakfast. An orange juice company can try to promote drinking orange juice on other occasions – lunch, dinner and midday. Certain holidays, mother’s day and fathers day for e.g. were promoted partly to increase sale of candy and flowers.\(^{37}\)

2.7.9 Benefits Desired

The segment names, benefits sought by each segment and the likely preferred brands are

- Sensory: flavor and appearance – Colgate or stripe
- Sociable: brightness of teeth
- Worries: decay prevention, crest
- Independents: low price- any brand on sale.\(^{38}\)

2.7.10 Usage Rate

Another basis for market segmentation is the rate at which people use or consume a product. A frequently used categorization of usage rates is non users, light
users, medium users and heavy users. Normally a company is most interested in the heavy users of its product. Interestingly, around 50 percent of all users of a product typically account for 80 percent to 90 percent of total purchase. For e.g. less than half of all coffee drinkers consumes nearly 80 percent of all the coffee consumed. These heavy users are often referred to in an industry as ‘heavy half’ of the market. Sometimes a marketer will select as a target market, the non user or light user, intending to woo these customers into higher usage, or light users may constitute an attractive niche for a seller simply because they are being ignored by firms that are targeting heavy users. Once the characteristics of these light users have been identified management can go to them directly with an introductory low-price offer or a seller might get consumers to increase their usage rates by

- Describing new uses of product
- Suggesting new times or places for use
- Offering multiple-unit packaging.39

2.7.11 Attitude

Five attitude groups can be found in a market, enthusiastic, positive, indifferent, negative and hostile. Door to door workers in a political campaign use the voter’s attitude to determine how much time to spend with that voter. They thank enthusiastic voters and remind them to vote. They reinforce those who are positively disposed. They try to win the votes of indifferent voters, and they spend no time trying to change the attitude of negative and hostile voters. The strategic directions group divided its samples of mature Americans (age 50 and up) into categories based on their attitudes towards 3 topics – health care, food consumption, and self regard category, we can see the following types of people.
• Upbeat enjoys feel that best years are now and in the future. Looking good and staying active are high priorities for them.

• Insecure feel that they haven’t been successful in life and that the best years are over. They are afraid of not having enough money, invest conservatively, shop for value and worry about crime.

• Threatened actives worry about crime but have a more positive outlook on life. They are resistant to change and want to keep living in their own homes, working and driving their own cars.

• Financial positives are more open to change and more concerned about looking good. They feel financially secure, successful and optimistic.

2.8 Positioning

The need for positioning arises out of the fact that a product cannot be everything to everyone and has to be something to some segment. Positioning is the specific task of taking the product to a chosen orbit in the minds of the target consumers. If the positioning decision is faulty, the product suffers heavy losses. It may take a long time and enormous effort to retrieve a wrongly positioned product. While repositioning a successfully positioned product at a later stage in the light of changes in its life cycle may be easy, it will not be all that easy to reposition a wrongly positioned product.

In fact, the variance that occurs between the position intended by the marketing man and the position assigned by the consumers is a problem inherent in positioning. This has to be tackled at the very outset and in case it could not be anticipated and handled in advance, it must be handled as a course correction as soon as possible after the launch.
2.9 Market Planning

“Market planning is the process of assessing opportunity and resources determining objectives, defining strategies and establishing guidelines for implementation and control of marketing programs”\textsuperscript{41} The components of a market plan include:-

1. Executive summary: The executive summary is a synopsis of the entire marketing plan. It includes an introduction, an expansion of the major aspects of the plan, and the statement about the cost of implementing the plan. The executive summary doesn’t provide detailed information; rather it gives an overview of the plan so that readers can identify key issues pertaining to their roles in the planning and implementation process. \textsuperscript{42}

2. Environmental Analysis: Environmental analysis supplies information about the company’s current situation with respect to the marketing environment, the target market and the firm’s current objectives and performance.

3. SWOT Analysis: It means the assessment of the strengths weaknesses opportunities and threats.

   Strength refers to the competitive advantage or core competency that gives the firm an advantage in meeting the needs of its target customers.

   Weaknesses refer to any limitations a company faces in developing or implementing a marketing strategy. Weaknesses should be ascertained from the customer’s perspective because customers often perceive weaknesses that a company cannot see.

   Opportunities refer to favorable conditions in the environment that could produce rewards for the organization if acted on properly.
Threats on the other hand refer to conditions or barriers that may prevent the firm from reaching its objectives.

2.10 Consumer Behavior

There is an enormous variability in the way customers buy and use products. They may buy the same product but put it to different uses. Some customers will buy a product after a lot of consultation, whereas others will make the purchase decision of the same product in complete solitude. Some customers will buy a product for upscale stores where as others will buy the same product from modest stores close to where they stay. Some customers may buy a product that is a reflection of their social standing whereas; others will buy the product for purely functional reasons.

The type of behaviors that different customers demonstrate in buying and using the same product and the different of behaviors that the same customer demonstrates in buying different products elevates marketing to a discipline much more intricate than product management. Even the same customer may not behave in an equivalent fashion while buying the same product under varying circumstances.
By studying the behavior of customers it become possible to segment the market in new ways and serve those with different marketing mixes may be the same. Alternatively, differential offerings for various segments can be developed with different marketing mixes.

Therefore, an in depth analysis of the market and knowledge of customers are pre requisites for marketing. Consumer behavior influences the choice of target markets and the nature of marketing mix developed to serve it. One of the most important parts of the marketing process is to identify why a consumer purchases a product. Without this knowledge, it becomes difficult for businesses to understand a customer’s requirements. The behavior of the consumer is affected by four primary factors – social, personal, cultural and psychological. These factors influence consumers into having their own specific product and brand preferences. Marketers cannot directly control most of these factors. However, understanding their influence is vital in marketing mix strategies that are developed to appeal to the target market’s tastes.

In marketing, the study of consumer behavior is essentially the study of how people choose. “What are the influences that affect choices and how do they differ from person to person or from product to product”43 These are questions that the marketer must answer if he is to build an effective marketing strategy; it is indisputably true that if marketers know more about how a customer chooses, they are in a much better position to present products or services that will lead to the customer’s choice being the marketer’s offering.

Consumer behavior is the process whereby individuals decide whether, what, where, how and from whom to purchase goods and services. Thus, consumer
behavior refers to the buying behavior of the end-user. It is of utmost importance that an organization analyses customers’ buying behavior for:

- The firm’s success is greatly determined by buyers’ reactions to its marketing strategy.
- The marketing concept necessitates that a firm create a Marketing Mix that satisfies consumers. Therefore, there is the requirement to understand what, where, when, and how consumers buy.
- Marketers will have a better understanding of the consumers’ reaction to marketing strategies.

2.10.1 Marketing Focus on Customers

As the purchasers of the products that organizations develop, promote, distribute and price, customers are the focal point of all the marketing activities. Organizations have to define their products not as what the companies make or produce but as what they do to satisfy customers. Customer’s satisfaction and enjoyment can come from anything received when buying and using a product.
The essence of marketing is to develop satisfying exchanges from which both customers and marketers benefit. The customer expects to gain a reward or benefit in excess of the cost incurred in a marketing transaction. The marketer expects to gain something of value in return—generally the price charged for the product.

Through buyer-seller interaction, a customer develops expectation about the seller’s future behavior. To fulfill these expectations, the marketer must deliver on promises made over time, this interaction results in interdependence between the two parties.

2.11 Customer Relationship Management Strategy

One of the fundamental goals of marketing strategy of a company should be to achieve the maximum potential of each customer relationship. For the successful achievement of business goals, an organization should consider marketing relationship with the customers as the life blood of the business. A healthy and sound relationship with customers will keep the company on steady growth enhancing its profits “Customer Relationship Management (CRM), a well defined strategy, is a fusion of a series of functions, skills, process and technologies which together allows companies to more profitably manage customers as tangible assets”.44

The relationship with the customers can be kept progressing and alive at various levels. First consideration may be given in enhancing the profit obtained from the existing customers by satisfying their needs and wants. The next strategy should be to attract new customers and the third step is to extend the relationship to the maximum possible duration.
“Implementing the marketing concept means optimizing the exchange relationship, which is the relationship between a company’s financial investment in customer relationship and return generated by customers responding to that investment.”

Customer relationship management is a skill that every organization should develop with constant care and attention. A successful customer relationship management gives attention to collecting information regarding the prospective buyers of the products of the company and develops the most suitable marketing strategy. To keep up a desirable relationship with customers is the trademark of an enterprising firm. Only thus can a firm update its strategies to please its customers by meeting their needs. “As the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer values”. A company should always be sensitive to customers needs and desires and use effective communication with them, build up their trust and loyalty. Thus, we may even say that information technology can contribute a lot in supplementing marketing strategies aimed at enhancing the long term relationships with high revenue customer’s. Many multinational companies have proved that information technology helps the customer relationship to build values and increase overall sales.

“Marketing is the process of creating, distributing, promoting, and pricing goods, services and ideas to facilitate satisfying exchange relationship with customers in a dynamic environment” In all the activities concerned with marketing, the control and focal point is the customer. Satisfying the customer, therefore, should be the primary concern of a marketing strategy.
2.12 Competitor Analysis

Competition refers to rivalry among various firms operating in a particular market that satisfies the same customer needs. The industry structure affects long-run profitability. Therefore, competitors should be understood and monitored. Their action can spoil an otherwise attractive industry. Their weaknesses can be a target for exploitation and a response to firms marketing initiatives can have impact on its success. Competitive information can be obtained from marketing research surveys, recruiting competitors employees (sometimes interviewing them is sufficient), and secondary sources (trade magazines, distributors, stripping down competitors products and gathering competitors sales literature). “Success is achieved when the strengths of the firm are concentrated against the competitor’s weakness”\(^{48}\)

2.12.1 Strategic Objectives and Thrusts of Competitors

Companies may decide to build, hold or harvest products and SBUs. A build objective is concerned with increasing sales and market share; a hold objective suggests maintaining sales and market share; and a harvest objective is followed when emphasis is on maximizing short—term cash flow through slashing expenditure and raising prices whenever possible. It is useful to know what strategic objectives are being pursued by competitors because their response pattern depends on objectives. If the firm considers building a market share of the product by cutting price, a competitor who is also building, is almost certain to follow the price cut. The competitor who is content to hold market share is also likely to respond, but a company following a harvest objective is much less likely to reduce price because it is more concerned with profit margins than unit sales. If the firm is considering a price rise, a competitor pursuing a build objective is not likely to follow. The price of
a product subject to a hold objective is now likely to rise in line with the increase, while a company using a harvest objective will certainly take the opportunity to raise its products’ price, may be, more than the firm that initiated the price increase.

Knowing competitor’s strategic objectives is useful in predicting their likely strategies. A build objective is likely to be accompanied with aggressive price and promotional moves, a hold objective with competitive stability and a harvest objective with cost-oriented rather than marketing-oriented strategies.

Strategic thrust refers to the future areas of expansion that a company might contemplate. A company can expand by penetrating existing markets more effectively with current products, launching new products in existing markets or be growing in new markets with existing or new products. Knowing the strategic thrust of competitors can help the company’s strategic decision-making.

2.13 Competitor Strategies

Competitor analysis will decide positioning strategy. This involves assessing the competitor’s target markets (for various products) and differential advantage. The marketing mix strategies (price levels, media used for promotion and distribution channel) may indicate target markets. Marketing research into customer perceptions can be used to assess the relative differential advantage. Companies and products need to be continuously monitored for changes in positioning strategy.

Strategies can also be defined in terms of competitive scope. Are competitors attempting to service the whole market, a few segments or a particular niche? If the competitor is a niche player, it is likely that it will be content to stay in that segment or use it as a precursor to move into other segments in the future. Japanese companies use small niches as springboards for market segment expansion.
Competitors may be playing the cost leadership game, focusing on cost-reducing measures rather than expensive product development and promotion. If competitors are following this strategy, it is more likely that they will be focusing R&D on process, rather than product development in a bid to reduce manufacturing costs.

2.14 Competitive Advantage

Superior performance is attained by gaining and holding a competitive advantage. Organization can achieve a competitive advantage through differentiation of their product offerings that provides superior customer value, or by managing for lowest delivery cost. In most cases, an industry’s ‘return on investment’ leader opts for one of the strategies, while the second placed firm pursues the other.

2.14.1 Competitive Strategies

The two means of competitive advantage of low cost of delivery and differentiation, when combined with competitive scope of broad vs. narrow activities results in four generic strategies-differentiation, cost leadership, differentiation focus, cost focus.

2.14.2 Differentiation

Differentiation strategy involves the selection of one or more choice criteria that are used by many buyers in an industry. The firm provides them uniquely positions itself to meet these criteria. Differentiation strategies are usually associated with a premium price and higher than average costs of industry, since extra value to customers (for instance, higher performance) often raises costs. The aim is to differentiate in a way that leads to a price premium in excess of cost of
differentiating. Differentiation gives customers a reason to prefer one product over another and thus is central to market skimming.

2.14.3 Cost Leadership

Cost leadership involves the achievement of lowest cost position in an industry. Firms market standard products, which are believed to be acceptable to customers, at reasonable prices that give them above average profits. Some cost leaders discount prices in order to achieve higher sales levels.

2.14.4 Differentiation Focus

The special requirements of the market segment indicate an opportunity to differentiate its offerings from that of competitors who may be targeting broader group of target customers. When a firm adopts differentiation focus, it is clear that the needs of the target group differ from the broader market, and that existing competitors are underperforming in the target segment.

2.14.5 Cost Focus

An organization tries to achieve a cost advantage with one or a small number of target market segments. Services/features may be provided to all segments but in some segments those services/features may not be needed. For these segments, the company is over performing. By providing a basic product offering, a cost advantage will be gained that may exceed the price discount necessary to sell it. Although skills and resources are the sources of competitive advantage, they are translated into a differential advantage only when the customer perceives that the firm is providing value above that of competition.
2.14.6 Sources of Competitive Advantage

- Superior skills are distinctive capabilities of key personnel that set them apart from the personnel of competing firms. Like, superior selling skills may result in closer relationships with customers than what competing firms can achieve. Superior quality assurance skills can result in higher and more consistent product quality.

- Superior resources are tangible requirements that enable a firm to exercise its skills. Superior resources may be the number of salespeople, expenditure on advertising and sales promotion, number of retailers who stock the product (distribution coverage), expenditure on Research and development scale and type of production facilities and financial resources, brand equity, etc.

- Core competencies: The distinctive nature of these skills and resources adds to a company’s core competencies.

- Value chain is a useful method for locating superior skills and resources. A firm consists of a set of activities that are conducted to design, manufacture and market, distribute and service its products. The value chain categorizes these into primary and support activities. This enables the sources of costs and differentiation to be understood and located. Value chain analysis can extend to the value chains of suppliers and customers. By looking at the linkages between a firm’s value chain and those of the suppliers and customers, improvement in performance can result that can lower costs or contribute to creation of differential position.
Value chain provides an understanding of the nature and location of skills and resources that provide the basis for competitive advantage. Cost analysis can also be done.

For a differential advantage to be realized, the firm not only needs to provide customer value, but the value should also be superior to that of competition. Besides an effective marketing mix, companies need to create fast reaction times to changes in marketing trends. Using advanced telecommunications, companies receive sales information from around the world 24 hours a day, every day of the year and react promptly to them.

2.15 Strategic Issues in Marketing

Marketing is an organizational activity that is not very easy to plan and control. A marketing activity basically involves forecasts and expectations. In such situations, apart from reducing the price, other distribution channels should also be identified to ensure that sales increase. The problems an organization can face during the implementation of a marketing strategy are problems due to the organization structure or due to lack of feedback on the marketing activities. An effective marketing organization provides a supportive environment for marketing. An organization should be designed to support the marketing strategies of the organization. An effective organization design should support people in achieving their marketing objectives. An effective marketing organization should be flexible and dynamic to adopt the changes in the market or the strategic requirements.
2.16 Marketing Strategies in Recession

In the backdrop of the recession experienced all over the world in general, any serious discussion on marketing strategies should lead one to a deliberation on how one should evolve intelligent modalities to deal with the issue. Let us, first of all, admit the fact that there is recession and that it has had a strong curtailing effect on man’s selling and buying culture. What is needed is not to be despondent over the issue as to give up any search for remedy. Let us also realize that recession is the product of the twenty-first century-man’s life style. If so, there should be a way of dealing with the issue based on the current trends and life style. One of the ways of dealing with marketing is to have recourse to on-line marketing strategies to cope with the issue of recession that has affected the marketing trends adversely.

The internet marketers have already launched a recession proof marketing strategy. Making an on line internet based business could be a suitable remedy to tackle with the recession down fall in business. There are ever so many ways in which men react to recession depending on each one’s unique situation. Some may cut down luxuries and comforts, while some others go for cheaper articles; but the act of purchasing goods goes on. So, the marketing strategy that is to be evolved to respond to the new situation by changing the direction through a novel method mapping out a recession marketing strategy. An on line recession marketing should, therefore, evolve a strategy that understands the interest of the buyers and why they are interested in buying certain items in a recession different from what they are interested during a boom.
2.17 Future of Marketing

Although the environment of firms is composed of many interacting elements, focus should be given on technological, financial, regulatory and societal and competitive environment, because it is in these areas where the impact of change has its most profound effects on marketers. Each of these environmental changes has major effects on marketers. However, by recognizing and adjusting to changing conditions, marketers are able to bring into play their capability to perform their tasks better and in a more responsive fashion. In the light of high investments into the development of capabilities, processes, knowledge and equipment, firms will need to have access to customers globally in order to achieve the economies of scale that permit an amortization of the investments. The importance of domestic markets will also increase because of the borderless reach of competition within this world of global competition. Marketers will need to focus on their marketing mix with renewed vigor and from new perspectives.

2.18 The Future of Global Marketing

We describe our emerging culture by an awkward but descriptive name: "boundary less." It is the soul of our integrated diversity and at the heart of everything we do well. It is the small-company culture we have been after for all these years E-business is the final nail to the coffin for bureaucracy at GE. The utter transparency it brings about is a perfect fit for our boundary less culture and means everyone in the organization has total access to everything worth knowing.50

The world economy has undergone revolutionary changes during the past 50 years. Perhaps the greatest and the most profound change is the emergence of global markets, global competitors, and winners and losers in global competition.
2.18.1 Six Major Changes

The changes continue. Six major changes that will continue well into this century are listed next.

1. World Growth. Many of the poor countries of the world, which have always been poor, are getting richer faster than the rich countries of the world, which are also getting richer. Most of the world is in a stage of economic growth. The geographic exception to this world growth is Africa, south of the Sahara where many countries are economically stagnant or in economic decline.

2. The world economy dominates. The world economy is the dominant economic unit. The macroeconomics of the nation-state no longer control economic outcomes in countries, and even the large superpower countries such as the United States can no longer dictate to poorer countries how they should behave.

3. End of the so-called trade-cycle decision rule. The old trade-cycle model, which implied to a generation of managers that as a product matures, the location of production must shift to, low-wage countries, has been clarified. The location of production is not dictated exclusively by wage levels. Wages are simply one element of the cost equation. For any product in which labor is less than, say, 15 percent to 20 percent of total costs, the location of production of mature products may be anywhere in the world. Factors such as transportation costs, availability of skilled labor, market responsiveness, and market access and high levels of innovation in product design and manufacturability may all indicate that the best location for production is a high-income, high-wage country.
4. Free markets rule the world. The 75-year "contest" between capitalism and communism is over. The clear success of the capitalist market-driven system over their communist centrally controlled model has led to the collapse of communism as a model for the organization of economic activity and as an ideology. Markets are in control of the allocation of resources all over the world with the exception of the two autocratic national anachronisms, Cuba and North Korea.

5. Accelerating growth of global market. Global markets will grow at rates that were once thought impossible. The engine behind this accelerating growth is the high rate of growth in both the high- and low-income countries. The high income country growth leadership has shifted from Japan to the United States. Low- and lower-middle-income country growth leadership has been concentrated in Southeast Asia and Southern Asia with China as a unique, high-growth, large country in the region and the world, and Singapore, Taiwan, and South Korea at the vanguard of the small countries in the region. The driving forces of this growth are technology, deregulation, global integration, and the triumph of marketing.

6. The rise of the Internet and information technology. As Jack Welch, CEO of GE suggests in the quotation, e-business is revolutionizing the way the world does business. We are now seeing the payoff for the huge investments in information technology over the past two decades. These investments are transforming the strategy and structure of every company in the world.
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