MASTER IN MANAGEMENT STUDIES

SEMESTER - III (CBCS)

MARKETING STRATEGY

SUBJECT CODE : MMSMP102

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April 2023, Print 1

Published by : Director Incharge
Institute of Distance and Open Learning ,
University of Mumbai,
Vidyanagari, Mumbai - 400 098.

DTP Composed Printed by : Mumbai University Press
Vidyanagari, Santacruz (E), Mumbai

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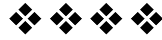


Semester	**:**	**III-Core**			
Title of the Subject / course	**:**	**Marketing Strategy**			
Course Code	**:**				
Credits	**:**	**4**	**Duration**	**:**	**40**

Learning Objectives

1. To understand and predict changes in the macroeconomic environment and its impact on marketing programmes
2. To develop an ability to respond rapidly to changes driven by consumer behaviours / new technologies etc.

Prerequisites if any	
Connections with Subjects in the current or Future courses	

Module

No	Content	Activity*	Learning Outcomes
1.	Introduction to Marketing strategy - Concept, Principles, Understanding of Strategy & Tactics	Lecture	Understanding the basics of Marketing strategy and tactics
2	New Product Development process • SWOT analysis, PARTS framework and design of the demand landscape • Commercialization of innovation through alliances • Challenges during the technology adoption life cycle	Lecture / Case studies / discussion	To Understand the strategic aspects of New Product Development & Commercialization
3	Marketing Intelligence • Understanding information needs for market Research • Assessment of key marketing metrics – Return on Marketing Investment; Market share and payback period; Net Promoter score; Customer satisfaction and share of wallet; Brand awareness/ preference; purchase intentions; Average Unit retail price, percentage sales on deals; All commodity volume; Inventory turns, same store sales, Cannibalization	Case studies discussions , Videos (TED Talks),Referrals to Research papers	To understand and apply various matrices to evaluate marketing programmes
3	Product and Brand Policy • Product Policy decisions – Line and Mix decisions • Managing across the product life cycle from pre-launch, pruning and withdrawal from the market • Lead users and role in product design	Lecture/Cases /Simulations	Understanding issues in formulating product and brand policies

No	Content	Activity*	Learning Outcomes
	• Brand Culture – Aligning with organizational culture		
4	Pricing Policy • Pricing strategies – Types of pricing strategies: Cost-plus, Perceived value, etc. • Price band – Types and width of price bands and its management • Using promotions as a lever to manage the price band	Lecture/Cases	To understand levers to manage prices.
5	Marketing Plan • Situation Analysis – 5C's analysis (customer/competitor/collaborator/company/context); • Forecasting societal changes based on PEST analysis • Preparing and Presenting the Marketing plan	Cases and Field Assignments	Formulating a Marketing Plan.
6	Channel Policy • Designing the length, breadth, and modifying the dimensions of the channel • Need for control and availability of resources and role in channel design • Channel selection strategy – direct, corporate, contractual systems • Omni-channels • Channel conflicts and resolution	Lectures/Cases/Games (Beer Games)	Understanding the issues in the design and management of channels

***Activity:** Teaching-Learning process may combine the use of role plays, audio-visual films/aids, and management exercises with individual student, and or in team considering appropriate cases or case-lets in the field of business domain wherever applicable.

Recommended Books

1	Marketing Strategy, Walker Mullins Boyd & Larreche, Tata McGraw-Hill
2	Marketing Strategy, Luck & Ferrell, Southwestern
3	Marketing Strategy, Stephen Schnaars, Free Press
4	Marketing Metrics, Reibstein , Farris , Bendle, Pfeifer, Pearson
5	Strategic Marketing, Dr.Shahjahan
6	New Product Policy & Plans , Yoram Wind
7	Lead Users, Eric Von Hippel

Assessment

Internal	40%
Semester-end	60%

1

INTRODUCTION TO MARKETING STRATEGY

Unit Structure :

1.0 Objectives

1.1 Introduction

1.2 Meaning of Strategy and Tactic

1.3 Stages of Strategy Development

1.4 Background of Marketing Strategy

1.5 Marketing Management and Components of Marketing Strategies Marketing

1.6 The 5C's of Analysis

1.7 The Aspiration Decision: Segmentation, Targeting and Positioning

1.8 Summary

1.9 Questions

1.10 References

1.0 OBJECTIVES

- To study the meaning of strategy and tactic
- To study the different levels of strategy
- To understand the key components of corporate, business, marketing strategies
- To understand what is marketing management and the different parts of a marketing process
- To understand the different C's of analysis and the importance of segmentation, targeting and positioning

1.1 INTRODUCTION

What is "Strategy"?

It's being proactive, looking to the future, carrying out a plan, and doing something that offers you an advantage.

What do we stand to lose by not doing it?

- We will be aimless.
- We will miss the chance to make a difference or have a bigger impact.
- We won't have a goal or direction.

1.2 MEANING OF STRATEGY AND TACTIC

- Strategy is a plan of action that will assist the organisation in achieving its objectives. It is a long-term strategy outlining what the company hopes to accomplish. This has been created at the highest level. The goal of strategy is always the future.
- A tactic is a precise course of action used to achieve a certain outcome while pursuing a larger objective. At different organisational levels, strategies are planned and put into action. Tactics are always focused on the current situation and are more reactive in nature. These have a lot of flexibility, are scalable, etc.

A documented plan on marketing issues such as product development, promotion, distribution and price strategy are known as a marketing strategy.

It establishes the company's marketing objectives and details how the company can meet those objectives. Marketing tactics aid in determining the company's and its rivals' strengths and shortcomings. The company's marketing methods must be concentrated on certain areas, as identified by the marketing strategy.

A strategy is a long-term plan to accomplish specific goals. Therefore, a marketing strategy is a marketing plan created to accomplish marketing goals. For instance, a marketing purpose can have to do with dominating the market by satisfying customers. Therefore, the strategic approach is the in-depth planning that involves conducting marketing research and creating a marketing mix to win over customers. Every firm must have specific marketing goals, and strategy will play a key role in determining how to get there.

Clear goals and objectives must be established before a strategy can serve as the foundation for a policy. An organisation can develop its daily tools and techniques to achieve the goals after establishing its strategy. Therefore, marketing can be defined as the process of creating and putting into practice a strategy to plan and co-ordinate ways to discover, anticipate, and satisfy customer requests in a way that generates profits. The core of marketing is this process of strategic planning.

A marketing strategy is a method that enables a business or organisation to concentrate its limited resources on the most promising prospects for growing sales and securing a long-term competitive advantage.

Marketing strategy encompasses all fundamental and long-term activities in the field of marketing that are concerned with the analysis of a company's strategic initial situation as well as the formulation, evaluation, and choice of market-oriented strategies. As a result, marketing strategy supports the objectives of the company's marketing as well as its overall goals.

1.3 STAGES OF STRATEGY DEVELOPMENT

- Setting realizable goals
- To analyze the situation
- Making a Strategy
- Implementing the Strategy
- Keep an eye on the Strategy

There are different levels of strategy:

- Corporate level Strategy
- Business level Strategy
- Functional level Strategy
- Operational level Strategy

1. **Corporate Strategy:** This establishes the overall structure, systems, and procedures for the company's business.
2. **Business Strategy:** Choosing important success elements, determining how to compete, and recognising competitive advantage.
3. **Functional Strategy:** Aligning firm departments with the overall business plan.
4. **Operational Strategy:** It involves co-ordinating efforts within a specific department.

1. **Corporate Strategy:**

The highest level of strategic decision-making is at the corporate level, which includes components dealing with the firm's goal, resource acquisition and allocation, and co-ordination of multiple SBUs' plans for best performance. Such choices are made by the organization's top management. Compared to decisions made at the business or functional levels, strategic decisions are typically more value-oriented, conceptual, and abstract. Single-business organizations benefit from focused and quick responses, but they are more susceptible to issues specific to their sector. While assessing business prospects in sectors with complementary activity, their corporate strategy must highlight the benefits of remaining active in just one industry.

The corporate strategy must evaluate the return of a continued investment in the single business with the purchase or establishment of

complementary businesses in order to optimise company operations, profitability and growth. Managers must co-ordinate the operations of several business units at the corporate level. The creation of superior human, financial, and technological resources; the design of efficient organizational structures and procedures; and the pursuit of synergy among the firm's various businesses are the main focuses of efforts to create and maintain distinctive competencies at the corporate level. When connected businesses share R&D investments, product or production methods, distribution networks, a shared sales force, and/or promotional themes, synergy can give businesses a competitive advantage.

2. Business Strategy:

Apart from the requirement that it support corporate strategic initiatives targeted at the single business, a single-business company's business strategy is similar to that of a business unit of a diversified organization. The business plan identifies the measures the company must take to maintain and enhance its competitive advantages, examines the actions of competitors, and establishes performance goals. Typical tactics include setting low prices as the industry standard, differentiating yourself through quality or other attractive qualities, or emphasizing promotions. Business-level strategy must be critically focused on how a business unit performs within its industry. Sustainable competitive advantage is a key concern in company strategy. What distinguishing skills might the business unit use to its advantage?

Which of those competencies most closely resembles the requirements and preferences of the target market for the company? Appropriate scope, which includes how many and which market categories to compete in as well as the total breadth of product offerings and marketing initiatives to appeal to these segments, is another crucial problem that a business-level strategy must handle. Finally, it is important to look for synergy between different product markets and organisational functional areas.

3. Functional Strategy:

As implied by the title, functional strategy is concerned with a single functional operation and the associated activities. Decisions made at this organisational level are frequently referred to be tactical. Some overarching strategic concerns serve as both a guide and a constraint for such decisions.

Functional strategy is concerned with relatively small plans that provide goals for a single function, allocate resources among various operations within that functional area, and co-ordinate those operations for the best possible contribution to the accomplishment of the SBU and corporate level goals. As each function may be broken down into multiple sub functions, there may be operations level strategies underneath the functional-level strategy. For instance, the functional strategy of marketing can be further divided into the sub-strategies of promotion, sales, distribution, and pricing, each of which contributes to the functional strategy.

4. Operational Strategy:

In this section, we make decisions regarding the manufacturing strategies employed by the department. It takes into account the techniques used in product manufacturing, such as plant location, layout, manufacturing procedures, upholding quality standards, and optimum resource utilisation.

1.4 BACKGROUND OF MARKETING STRATEGY

In the middle of the 1990s, conventional notions of marketing strategy started to transform irrevocably. The world and the ways that marketers reach potential customers have been irrevocably changed by developments in computer, communication, and information technology. After the dot-com bubble burst in the late 1990s, the global economy saw a historic collapse in 2008. In an economy characterised by continual change and customer scepticism, the once-dominant businesses have withered and lost significance. Think of how marketing, business, and our own buying habits have fundamentally changed throughout the years:

1.4.1 Power Shift to Customers:

During the past two decades, the power has likely shifted from marketers to customers, which is arguably the most significant change.

Customers frequently influence businesses due to their access to information, capacity to comparison shop, and power over their spending, as opposed to businesses being able to do so via technology. In a couple of minutes, both individual consumers and commercial clients can evaluate costs and product details. Customers can frequently set their own pricing, as is the case when using Priceline.com to buy plane tickets. Additionally, buyers can now communicate with one another since online retailers like Amazon and eBay permit customers to voice their thoughts about the value of a product and the dependability of its source. Marketers are forced to make sure that their products are distinctive and of the highest calibre in order to provide customers a cause to buy them as power continues to shift to consumers.

1.4.2 Massive Increase in Product Selection:

It is astounding how many different products and services are available for purchase both online and in physical locations. Customers have a plethora of choices in the cereal and soft drink aisles at grocery stores alone. Customers can now meet their demands more quickly and conveniently than before thanks to improved transaction efficiency (e.g., 24/7 access, delivery to home or office). In addition, the abundance of information available online has altered how we communicate, consume news, and pass the time. Customers can now subscribe to RSS feeds (Really Simple Syndication) from hundreds of sites to receive news updates automatically. Due to the drastically expanded availability and choice of products, marketers are now vulnerable to threats from rivals all over the world.

1.4.3 Audience and Media Fragmentation:

Marketers have been compelled to reconsider how they interact with prospective customers because of changes in media consumption and the availability of new media venues. Since the introduction of cable television in the 1970s, the audiences of major mass media have been more dispersed. Television viewers, for instance, started tuning in to ESPN, HGTV, Nickelodeon, and the Discovery Channel instead of the main three networks (ABC, CBS, and NBC). As the internet, satellite radio, and mobile communication all continue to increase, it is harder and harder for marketers to connect with a genuine mass audience. Due to (1) the enormous variety of media options accessible to us today and (2) the short attention spans most of us have for any one medium, media audiences have become fragmented.

Customers now acquire news and information from Facebook and Twitter more often than from The New York Times or CBS. More time than they do reading publications or watching television, they are now spending online or using mobile devices.

1.4.4 Changing Value Propositions:

Energy, fuel, food and other necessities were becoming more expensive for consumers and business customers even before "The Great Recession" started in 2008. Buyers were therefore compelled to restrict their budgets and look for alternative methods to reduce spending as the economy continued to deteriorate.

This trend actually started as a result of consumers realising for the first time that they could avoid some businesses and handle things on their own after the dot-com bust.

For instance, e-commerce has severely impacted real estate agents and travel agencies. Expedia and Travelocity are now frequently used by clients in place of travel agents to make reservations for flights, cruises, and hotels. Similar changes have occurred in the real estate market, where more buyers are doing their house hunting online and more sellers are going "for sale by owner" approach. As a result, many marketers discovered a difficult lesson: When consumers view goods and services as commodities, they will choose the most practical, least priced option.

In addition to rising costs, many of these same consumers now risk losing their jobs or seeing their earnings decrease.

Consumer and company buyers have been compelled to reconsider value offerings and concentrate on the significance of frugality as a result of these and other economic problems. The impact on business has been significant. The launch of the wireless e-book readers from Amazon's Kindle and Barnes & Noble's Nook paves the way for additional disruptions in book publishing and book selling. Due to the high degree of commoditization of books, people frequently look for the best deals rather than the perks provided by conventional bookstores. E-readers contribute to this by preserving space and

paper. The goal of being frugal is to reduce spending on things that are not necessary in life, and this is the essence of being frugal.

1.4.5 Shifting Demand Patterns:

Technology advancements have occasionally changed consumer demand for particular product categories. One well-known instance is news, where online and mobile news continue to flourish while traditional newspapers slowly go out of business. Currently, a lot of newspaper firms have shut down, others are about to shut down, and others have reduced the number of days they publish. Another illustration is the rapid expansion of digital music and video delivery. Demand for the recording and film industries has changed significantly because of the popularity of Apple's iPod and iTunes, YouTube, and Netflix, as well as the ongoing integration of television and computers. Hollywood's film industry is battling weak theatre attendance and the waning appeal of DVDs as more and more people turn to the internet for their entertainment.

1.4.6 Privacy, Security and Ethical Concerns:

Our culture is now considerably more open than it was in the past due to technological advancements. Because of this, marketers now have to address legitimate worries about security and privacy, both online and off. Businesses have traditionally routinely gathered data on their clients. Customers are now far more aware of these initiatives and the intended uses of the information. Although customers value the convenience of online shopping, they want guarantees that their information is secure and private. Concerns regarding online privacy and security are particularly pressing when it comes to youngsters and contentious industries like casinos or pornography.

Examples include Mrs. Fields (cookies), Sony BMG, and Hershey Foods, all of whom have received fines for breaking the requirements of the Children's Online Privacy Protection Act. For gathering personal data from children under the age of 13 without parental consent, Sony agreed to pay $1 million.

1.4.7 Ambiguous Jurisdiction:

Businesses that operate internationally, like many internet-based businesses, can encounter problems due to different legal systems. These days, businesses who conduct business in both China and the United States are particularly sensitive to this distinction.

For instance, Google finds it challenging to comply with the censorship requirements of the Chinese government. Despite being a U.S. company, Google must comply with the Chinese order by running a whole different search engine that censors

anything deemed sensitive by the Chinese government. Doing business in China is problematic because Chinese laws do not provide the same protections as those given in the US when it comes to intellectual property rights. For instance, software piracy in China and other Asian nations cost American software producers an estimated $14 billion in sales in 2007.

The collection of sales tax for internet transactions is a crucial legal problem. At the beginning of the development of e-commerce, many online retailers did not charge sales taxes for online purchases, which gave them a significant competitive edge over retailers with physical stores. In fact, a 1992 ruling by the U.S. Supreme Court barred out-of-state merchants from obtaining sales taxes in states where they had no physical presence. States argued that they were losing millions of dollars in tax income each year but were ill-equipped to launch a collection operation. Major retailers, including Walmart, Target, and Toys 'R' Us, agreed to collect online sales taxes in 2003 as part of a deal with a group of 38 states and the District of Columbia. Many internet retailers did not, however, charge sales taxes.

States are currently exploring for ways to compel the collection of sales taxes for internet transactions as most state budgets are in shambles due to the economic meltdown. New York's physical presence regulations were amended to include online shops in 2008. Many more states are anticipated to do the same.

Though the full impact of these difficulties won't be seen for a while, the need to adapt marketing efforts at both the strategic and tactical levels has driven organisations to move forward. We will examine how current issues have impacted strategic planning in these areas as we cover the key marketing ideas.

1.5 MARKETING MANAGEMENT AND COMPONENTS OF MARKETING STRATEGIES

Marketing is the process of creating, conveying, delivering, and exchanging products and services that are valuable to customers, clients, business partners, and society at large.

Target market selection and effective relationship-building are the art and science of marketing management. It demands a thorough understanding of the market and the consumers. By generating, delivering, and conveying exceptional value, the goal is to find, attract, and grow a customer base.

Key components of Corporate, Business, Marketing Strategies

	Corporate	Business	Marketing
Scope	Which business should we in? Conglomerate Diversification, Vertical Integration, Acquisition & Divesture	Which product market ? Concentric Diversification, Market development, Product development	Target Market, Product line depth & Breadth, Branding, Market development, Line extension
Goals & Objectives	Objective aggregate across business Revenue growth, ROI, EPS	Constrained by Corporate Objective aggregate across product market entries in business unit Sales growth , ROI, Strengthening bases of competitive advantage	Constrained by Corporate & Business Goals Objective for specific market entry, sales, market share, contribution margin, customer satisfaction
Allocation of Resources	Allocation among business in the corporate portfolio. Allocation across function shared by multiple businesses (corporate R&D, MIS)	Allocation among product market entries in the business units. Allocation across functional department within businesses units	Across component of marketing plan for a specific market entry (Marketing Mix)
Source of Competitive Advantage	Financials, Human Resource, R&D, Better organizational processes, synergy across all business where firm operates	Competencies relative to competitors in Industry	Effective product positioning. Superiority of one or more component of marketing mix

Source of Synergy	Shared resources & technology	Shared resources or functional competencies across product market	Shared marketing resource competencies or activities across product market entries

Fig. 1.1: Corporate, Business and Marketing Strategies

The two main goals of marketing are customer acquisition and retention.

Relationships between the six marketing process components

1. Implementation
2. Budgeting, assigning, and programming
3. Research and analysis
4. Marketing preparation
5. Creating a strategy
6. Checking and controlling

Fig. 1.2: Marketing Process

Schematic of Marketing Strategy formation process :

Every business aims to stand apart from a particular group of customers. Organizations are therefore concentrating on the consumer rather than producing a product for the broad market.

The process of choosing these customers, deciding on a point of differentiation to communicate to them, and creating a strategy to achieve this are all parts of marketing strategy.

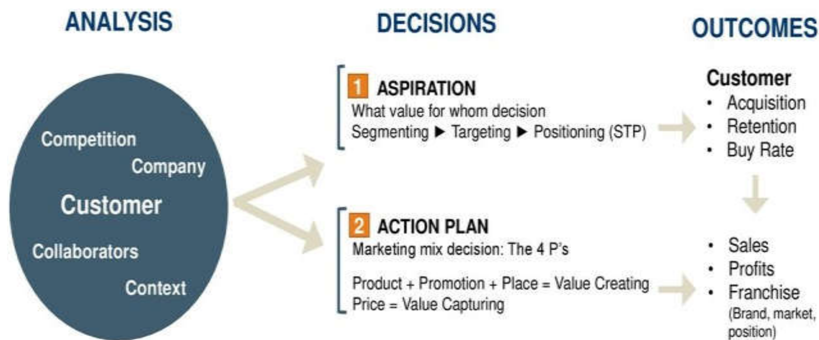


Fig. 1.3: Marketing Strategy Formation Process

1.6 THE 5 C's OF ANALYSIS

1. Customer analysis:

What is the Purchase decision-making unit (Initiator, Gatekeeper, Decider, Influencer, Purchaser, and User)

What is the process used for decision making?

Customer research was used to try to create a product that would fit the market.

Through corporate analysis, the product is made to fit the business.

2. Company analysis:

Hamel & Prahlad introduced the concept of unique talents, competencies, and assets.

Making a major contribution to the production of perceived customer value in products is one of the two components of core competency.

The other is to be challenging for rivals to copy.

3. Collaborator: A supplier who works with the business.

4. Competitive analysis: List current and potential rivals and their value propositions. Potential rivals come in two flavors: niche and more general.

5. Contextual analysis: Contexts are dynamic. Similar to how culture, technology, and legal considerations constrain what is achievable and necessitate ongoing surveillance

1.7 SEGMENTATION, TARGETING AND POSITIONING IN THE ASPIRATION DECISION

Targeting and Segmentation

The fact that each client segment's purchase process is unique enables an organization to precisely tailor its marketing mix to each segment's unique needs.

The rules and criteria for the customer's purchases will govern the marketing game.

The section that best fits the target group's corporate goals will be chosen by the company.

Segmentation is defined as the simultaneous usage of many variables.

Popular segmentation methods include demographic, geographic, and lifestyle.

Customer behavior or relationships with products, user status, user rate, and loyalty status are examples of alternative segmentation.

Positioning: How do we want the members of the segment to perceive us? Effective statement identifies the subsequent components

1. The segmentation variables' definition of the target consumer
2. The customer's preferences
3. The product category and type as perceived by the customer
4. The primary benefit to be offered to the target consumer

Marketing Mix Decision:

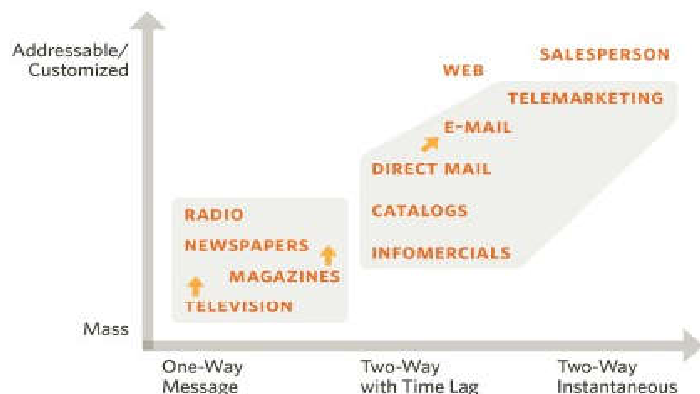
Product: Complete range of customer-value-creating opportunities, including brand recognition, business standing, product use, and post-purchase support.

a distinctive product that offers distinctive benefits and strong value arguments.

Product surveys and beta tests are both used for testing. After a product is introduced, we must manage its life cycle.

Promotion Knowledge, product attributes, product purchasing, and value

Market-Mission-Message-Media-Money-Measurement is the 6M model of communication strategy.



Positions of Major Communication Vehicles

Fig. 1.4: Major Communication Vehicles

Key inputs to the pricing decision and calculating true economic value

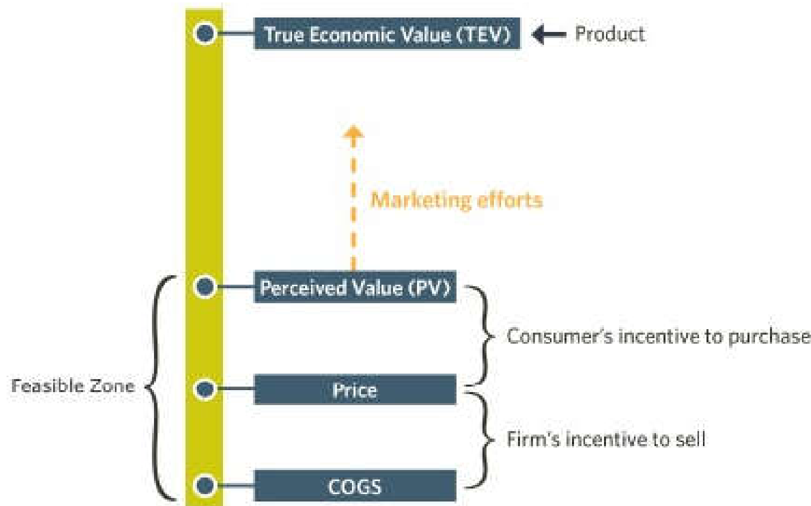


Fig. 1.5: True Economic Value

True Economic value = Price of the next best alternative + Value of the performance differential compared to the next best alternative

1.8 SUMMARY

It can be seen that the marketing strategy is the most crucial instrument for defining the organization's entire business plan. The company must take into account a variety of elements while developing its marketing strategy, including potential clients, market segmentation, its USP, current circumstances, etc. An efficient marketing plan helps the business achieve the highest level of customer satisfaction while also getting to know its customers. Thus, a successful marketing plan ultimately contributes to the development of the company's corporate image. The business level strategy should be developed from the corporate level strategy, whereas the functional strategy should be created as a result of the business level strategy.

1.9 QUESTIONS

1. What is marketing strategy? Explain briefly.
2. What are the different levels of strategy ?
3. What are the key components of Corporate, Business, Marketing strategies?
4. What are the different C’s of analysis and the importance of segmentation, targeting and positioning ?

1.10 REFERENCES

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- Framework for Marketing Strategy Formation, Robert J. Dolan
- Marketing Communications, Patrick & Others, Pearson
- Principles of Pricing: Harvard Business Review, Robert J. Dolan

2

NEW PRODUCT DEVELOPMENT PROCESS

Unit Structure

2.0 Objectives

2.1 Introduction

2.2 Why Study New Product Development?

2.3 Organizing for Product Development

2.4 Mistakes in NPD Plans

2.5 Factors contributing to New Product Development

2.6 SWOT Analysis and PARTS Framework

2.7 Diffusion of Innovation

2.8 Challenges in New Product Development

2.9 Summary

2.10 Questions

2.11 References

2.0 OBJECTIVES

- To understand the steps in new product development process
- To study the rationale behind new product development
- To understand the mistakes and challenges in new product development
- To understand SWOT analysis and PARTS framework

2.1 INTRODUCTION

The entire process of introducing a new product to the market is known in business as New Product Development (NPD). A bundle of benefits supplied in exchange is referred to as a product, which can be either tangible (i.e., something you can touch) or intangible (like a service, experience, or belief). In the NPD process, there are two parallel paths: one involves concept generation, product design, and detail engineering; the other involves market research and marketing analysis.

1. Idea Generation: The first stage is to come up with a product idea. Basic research might yield concepts for new products employing a SWOT analysis (Strengths, Weaknesses, and Opportunities & Threats). To gain

insight into new product lines or product features, it may also be useful to consult market and consumer trends, the company's R&D division, competitors, focus groups, staff, sales representatives, trade exhibitions or anthropological discovery methods (looking for user patterns and habits). By developing ideas that take affordability, ROI, and extensive distribution expenses into consideration, one can set themselves apart from the competition by using fundamental internal and external SWOT analyses as well as current marketing trends.

Many concepts are developed regarding the new product. Many of these concepts are put into practice. Ideas come to us in a variety of ways.

2. Idea Screening: Compile a list of potential product ideas and present it to the relevant business decision-makers, such as the management team. Based on their potential to generate money, as well as the time and resources you have available to actually create the products, discuss the benefits and drawbacks of each idea and reduce the list to only a few of the finest ones. Prior to allocating resources to faulty conceptions, the goal is to get rid of them.

3. Concept Development and Testing:

- Develop the engineering and marketing specifics
- Research intellectual property concerns
- Search patent databases
- Who is the intended audience for the product, and who makes the purchasing decisions?
- What specifications for the product must be met?
- What advantages will the product offer?
- How will customers respond to the offering?
- How will the product be made in the most economical way?
- Establish viability through rapid prototyping and virtual computer-aided rendering.

4. Business Analysis:

Business analysis is a crucial stage in the creation of new products. A thorough company study is conducted here. The business determines whether or not the new product is commercially successful. The company determines the following through business analysis:

a. Whether the new product is financially profitable or not?

b. How much will the new product cost?

c. Does the new product have any demand?

d. Is this demand ongoing or seasonal?

e. Does the new product have any rivals?

f. What will the new product's overall sales be?

g. What will be the costs associated with sales promotion, advertising, etc.?

h. How much money the new item will make?

As a result, the company analyses the new product from a business perspective. The new product will be accepted if it is profitable; else, it will be rejected.

5. Market Testing:

To "test market" a new product is to release it into a very niche market on a very limited scale. If the new product is a hit in this market, it is then widely distributed. In contrast, if the product fails on the test market, the company learns why it did not succeed. It updates the new product as needed and reintroduces it to a niche market. The business will stop using the new product if it fails once more. Large-scale marketing is less risky when done in test mode.

6. Technical Implementation:

- New program initiation
- Finalize quality management system
- Resource estimation
- Requirement publication
- Publish technical communications such as data sheets
- Engineering operations planning
- Department scheduling
- Supplier collaboration
- Logistics plan
- Resource plan publication
- Program review and monitoring
- Contingencies 'what-if' planning

7. Commercialization:

- Launch the product
- Produce and place advertisements and other promotions
- Fill the distribution pipeline with product
- Critical path analysis is most useful at this stage

8. New Product Pricing:

- Impact of new product on the entire product portfolio
- Value Analysis
- Competition and alternative competitive technologies

- Differing value segments (price, value and need)
- Product Costs (fixed & variable)
- Forecast of unit volumes, revenue, and profit

2.2 WHY STUDY NEW PRODUCT DEVELOPMENT?

- In order to match latent client expectations and competitive offerings, numerous crucial feature trade-offs must be made during the product development process.
- Early product development stages are when the majority of a product's characteristics and important features are decided. Their market range may be pre-fixed.
- Early decisions can have a significant strategic and operational impact on the launch success of the new product.
- Poor choices made early, may limit the number of clients for whom it would be ideal.
- The role of the product developers is crucial in achieving two key goals: (a) a product that is suitable and viable for users; and (b) a product that is developed in the shortest amount of time.

Managing Product Development Process

How can the time to market be shortened while new products are still meeting consumer and market demands?

1. Portfolio Management: acting morally and balancing the product line
2. Product Development Funnel and project management best practices

Portfolio Decision - Adding New Products

- Same or different brand? Fits the quality?
- Market: Are the customers the same? Is the occasion for use the same? Is the value proposition the same?
- Is the price a premium? If so, does the premium make sense? Can you drop the price if not?
- Price - Is the product affordable? Is the cost in check? Can you eliminate any cost components?
- Can you use the same resources for operations?
- Can you utilize the same support for distribution?
- What about the accoutrements? requirements for services?
- Is the existing Retail Design suitable for it?
- Is there competition at the product level? Alternatives?

- Is there rivalry among components as well ? If so, there can be no overcharging of that component.
- Does service competition exist as well ? If so, it is prohibited to overcharge for these services.

Generating ideas from product issues

This occurs when either the target user

a. is unable to utilize the product
b. is aware of how to use the product but is unable to use it.
c. The target user can use the product, but they have trouble doing so.
d. The customer finds using the product to be infuriating.
e. The user cannot utilize the product as intended.
f. The product doesn't suit the needs of the users.

Kano's Model of User Preferences:

This model is an excellent resource for determining user needs. The demands of different users have been determined. Kano divided the preferences into five categories to demonstrate what was truly important to the users and how. He categorized user preferences into 5 categories

Must-have: It is crucial to incorporate them.

Attractive: Unexpected and possibly expensive

One-sided: Willing to spend more if necessary.

Indifferent: No effect and users won't pay

Reverse: Negative effect and users will not accept

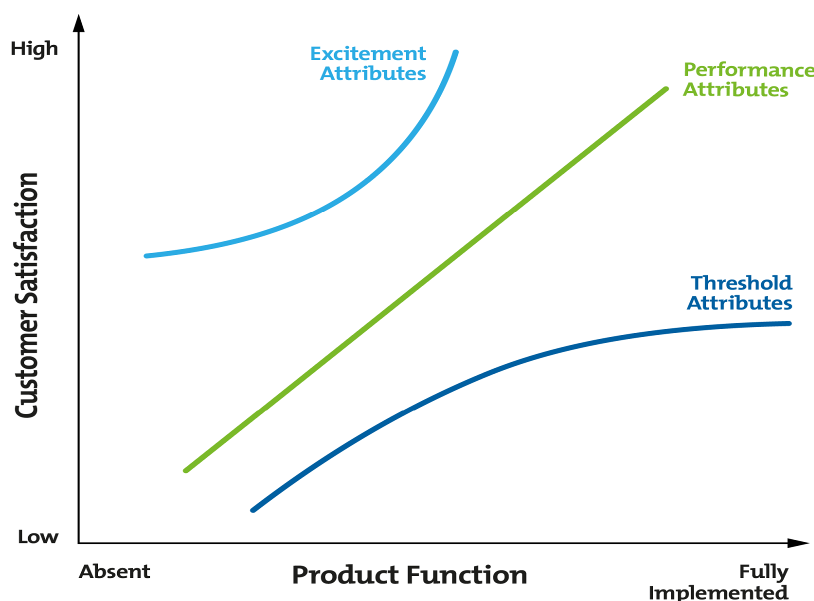

Fig. 2.1: Kano’s Model

Quality Function Deployment:

1. Determine what customers want
2. Explain how the product or service will fulfil customer needs.
3. Link client needs to product features
4. Establish connections between the company's hows
5. Create customer priority ratings
6. Examine rival products
7. Evaluate performance against desired technical characteristics
    1. Identify customer wants
    2. Identify how the good/service will satisfy customer wants
    3. Develop customer importance ratings
    4. Evaluate competing products
    5. Compare performance to desirable technical attributes

2.3 ORGANIZING FOR PRODUCT DEVELOPMENT

Important considerations for choosing an organizational structure for new product development include:

1. Which department needs to take the initiative, according to the focus and level of change?
2. How much integration across departments is necessary? Is it greater in complicated projects?
3. Is there a requirement for strong teamwork and effective communication throughout the company? If yes, is it with more intricate, long-term enterprises.

Organizing for Product Development

- Co-locating individuals with various specialties.
- Changing personnel between departments over time.
- Gate decisions made jointly by departments.
- Informal gatherings and meetings for the discussion and approval of new product concepts.
- Rewards and incentives from several departments for assistance with projects' odd duties.
- Project or team structures that have a reputation for being more successful for particular NPD initiatives

Building Markets for Products/Services

Why aren't customers purchasing what the corporation believes to be a very good product offer?

- Businesses can create new markets by addressing the problems preventing people from purchasing their goods even though they need them and can afford them.
- Businesses must search for covert substitutes and potential rivals to the good or service they now provide.
- Keep an eye out for cultural inconsistencies with the user. Additionally, it is crucial to correct all the supporting goods or services that make a product useable.
- These include the inability to follow usage instructions and the scarcity of replacement parts or nearby repairs.
- Businesses must look beyond the stated or obvious assumptions and justifications in order to discover and address the fundamental causes of the problem.

Creating New Demand for Existing Products

1. Utility? Can we add or remove features?
2. Efficiency? Can we improve how it functions?
3. Safety? Can we make it more secure to use or keep?
4. Aesthetics? Can we improve the appearance?
5. Ergonomics? Can we make it more user-friendly?

Choosing between Product Options

1. First, take advantage of already-existing resources to add additional value for current consumers at a cheap cost and minimal risk.
2. Add, new resources next and produce new value for the user base already in place - high cost + low risk.
3. Next, build new value for new users using existing resources at low cost and high risk.
4. Finally, create new resources and value for new target users at a significant cost and risk.

Before pursuing option 4, prevent confrontation with already successful items.

2.4 MISTAKES IN NPD PLANS

Customer Related Mistakes in NPD Plans

- Lack of in-depth client insight
- Opting for the most convenient markets over the best.
- Pursuing "me too" instead of value creation.
- Targeting a broader segment when a specialization is preferable.
- Not viewing quality from a customer's perspective.
- Not providing customers with enough pricing options.
- Underpricing as opposed to value-based pricing.
- Failing to accomplish what will win you the customers

Cost Related Mistakes in NPD Plans

- Excessive, illogical start-up capital needs.
- Purchasing property when borrowing or renting is an option.
- Taking up more workplace space than is really necessary.
- Wasting resources like larger businesses do.
- Paying big wages rather than a modest wage with a bonus.
- Paid commercials versus unpaid press coverage.
- Too high a fixed cost and too low a variable cost.

Why are strategy consultants required?

Now more than ever, companies are turning to strategy consultants for analyses and thoughts on new products for the following reasons.

1. A client firm has an unidentified performance issue that it is unable to identify internally, strategy/business consultants are needed.
2. A client company has a known strategy issue and thinks it understands the issue.
3. A client company is faced with a challenging strategic decision and is unsure on how to proceed.

2.5 FACTORS CONTRIBUTING TO NEW PRODUCT DEVELOPMENT

The development of new products is influenced by numerous factors. The majority of new product development factors are tied to external environmental factors, but the most crucial internal element is any potential surplus capacity that a company may have at any particular time. New product development is influenced by a variety of environmental factors. The following has been discussed:

1. The Mission and Vision of the Organization:

Since it represents their target environment or client segmentation, it is essential to examine the purpose and vision of these firms.

2. Competitive Edge:

The process of developing new products in an organization is influenced by the organization's age and the time of entry. It is also crucial to keep in mind that joining a market that is less developed (with little to no rivalry) presents a chance for the development of new products.

3. Preferences of the Clientele:

The changing customer lifestyle, which results in a shift in the customer's tastes and expectations, is the driving factor behind new product development. Customers' expectations and tastes are changing as a result of the changing role of women, development in the nuclear and solitary family's level of education and income, and an enormous expansion in electronic media.

4. Technological Changes:

The technological advancements in the market and business are another consideration. The company must produce items that keep up with the rapid developments in technology.

5. Governmental Strategy:

The development of new products may also be encouraged or facilitated by government policy. An example of a government policy that can spur businesses to introduce new products is one that promotes competition and entrepreneurship.

6. The Competition:

The business must take into account how your offering differs or is similar to that of the rivals. The company can learn how to promote its own product successfully by observing what marketing strategies the competitor may be doing and not using. The company must put itself in the position of potential customers when presenting a new product to the market (such as an invention) and think about the advantages the product offers them or the demand it satisfies.

7. Selecting the Ideal Client:

The target market for a company's marketing initiatives should be the consumer most likely to purchase its goods. The company must think about why a customer might need or want its product and use this information in its marketing communications. Instead of attempting to build a market for a product, it is far simpler to target the ideal consumer who has a need and desire for the product.

8. A Differentiating Feature:

Customers are drawn to you because of your unique selling proposition (USP), not your competitors. Analyze how your product meets a need more effectively, more quickly, or more easily than the competition. Utilize your USP to develop marketing messages, establish a brand for your product, and set it apart from competing or comparable products.

9. Product Testing:

It's possible that how you see the product and how potential customers see it are very different. Your marketing efforts can be directed by gauging customer opinion through focus groups or by getting testers' input. If a focus group reveals that the product packaging's colors are not appealing to potential customers, you can change them.

10. Public Relations and Media Involvement:

Public relations and media coverage can be quite important when we have to introduce the product. Buzz building is aided by media coverage in publications like magazines and newspapers or on news programs that appeal to your target demographic. A lot of people can consider publicity to be more valuable than the commercials and marketing materials that they are aware your company produces. It is a third-party endorsement for your goods.

11. The Product Life Cycle:

Every product has a life cycle. The cycle's stages are introduction, development, growth, maturity, and decline. The marketing efforts that are made during the stage are directly impacted by knowing and keeping track of where your product is in its life cycle. For instance, marketing during the initial phase is focused on reaching the target while growth phase deals with making the product preferred by the customers.

2.6 SWOT ANAYSIS AND PARTS FRAMEWORK

a. SWOT Analysis:

Strengths:

What are you good at?

What special resources are available to you?

What qualities do others think you possess?

Weaknesses:

What might you change?

Where do you lack resources more than others do?

What are your likely flaws in the eyes of others?

Opportunities:

What options are available to you?

What trends might you use to your advantage?

How can you make the most of your advantages?

Threats:

What dangers pose a risk to you?

What are your rivals doing?

What vulnerabilities expose you to threats?

b. PARTS Framework:

- P - Players, important participants in your sector may include rivals, clients, suppliers, and complementors (firms that may help you). You need to be aware of who they are and how they might benefit or hurt your company.
- A - Added Value, which each participant can contribute. If you can lessen or negate this value-add, you can lessen their influence or power. Those who can add more value may also have greater influence or power.
- R - Rules, represents the organizational structure of the sector in which you are engaged. For instance, the "one price for all" rule is used in some businesses. You must be aware of all regulations (particularly unwritten)
- T - Tactics, Moves and countermoves to take the upper hand.
- S - Scope, How much you want to compete with or work with, upend or support current players (also consider consequences)

2.7 DIFFUSION OF INNOVATION

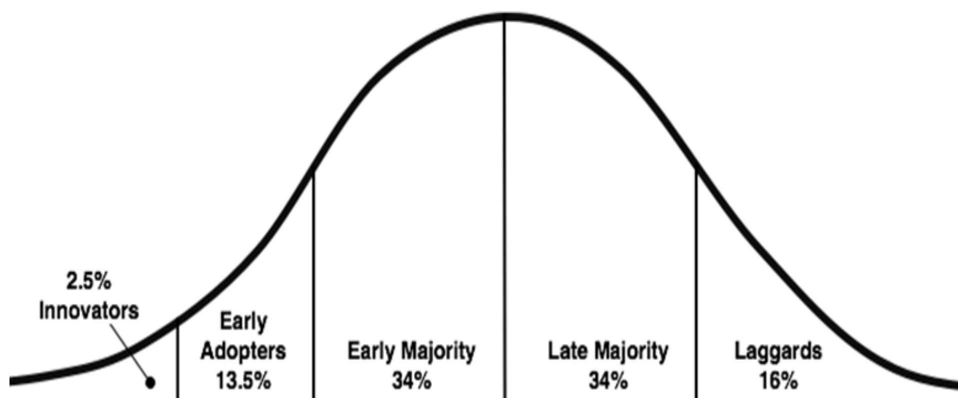

Fig. 2.2: Diffusion of Innovation

Innovation via Alliances:

Organizations innovate by turning ideas into products, which gives them a competitive advantage and allows them to stand out from the competition.

This method heavily relies on alliances.

Fig. 2.3: Type of Alliances

Innovation through Alliances

- **Functional Acquisitions:** This type of relationship is severe. Gaining and retaining control in this situation is crucial.
- **Marketing Alliances:** In this type, suppliers may join forces to boost their marketing influence, expand their distribution network, pool resources, launch new products, etc. These partnerships could have little impact on innovation. Ownership and control are not given much attention.
- **Joint ventures**: In this type, innovation may be the main focus. These emphasize merging or enhancing resources, experience, and knowledge.
- **Research and Development Alliances:** In this scenario, potential partners genuinely complement one another and collaborate to innovate. The emphasis in this case is not on ownership or control.

The bell-curve-based technology adoption curve model explains how consumers respond to, adapt, and accept new innovations.

Following are the 5 stages of Technology adoption curve-

- Innovators (2.5%)
- Early Adopters (13.5%)
- Early Majority (34%)
- Late Majority (34%)
- Laggards (16%)

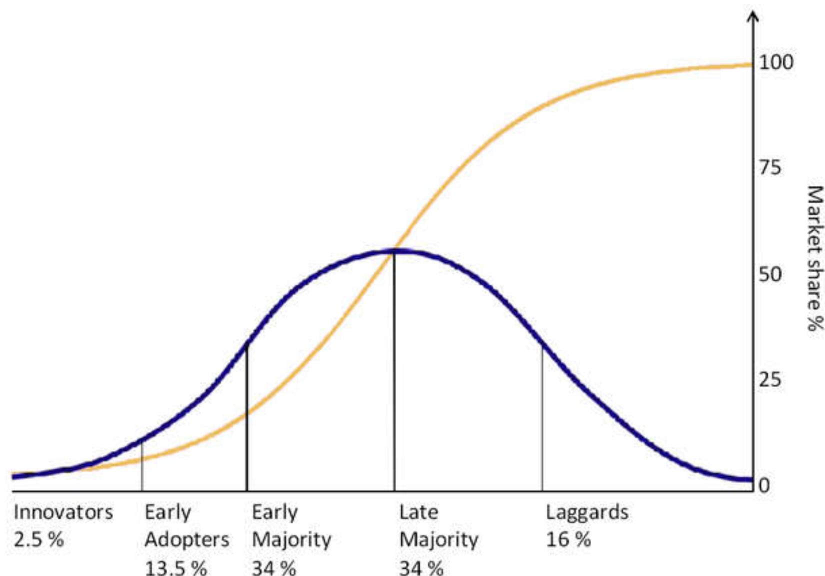

Fig. 2.4: Innovation and Market Share

2.8 CHALLENGES IN NEW PRODUCT DEVELOPMENT

Planning for product development is still essential to an organization's sustainability. The following are some major obstacles and, consequently, success factors:

1. Social Challenges:

Product development aims to satisfy a certain need or desire. The economic growth of other nations varies, thus the need or desire we have could not have materialized in other nations to support a viable target market. Varied cultures mean different tastes in cuisine, grooming routines, living arrangements, leisure activities, lifestyles, and clothing.

2. Rapidity of Development:

Product development is driven by the mantra "Faster and Faster." Utilizing digital design, analysis, and collaboration technologies can help companies develop goods more quickly and get them to market. Engineers can convert concepts into digitalized virtual designs for testing and visualizing a new product in three dimensions in months as opposed to

years by using collaboration software, file-sharing software, and other tools.

3. Platform Adaptability:

A product's platform flexibility is a crucial success factor in the market. This is the effect of adopting modular product architecture to provide clients a wider range of products. Tools for computer-aided engineering and design make it simple to reuse previously finished design files. With the help of all these files, product design is now more rapid, affordable, and efficient than ever.

4. Complexity Management:

A product's complexity sets it apart from an application. By analyzing interaction networks, complex systems are engineered. Network modelling techniques have been established as a consequence of research to look at a network of interconnected components that make up developing complex systems. The difficulty of designing multi-component, complex systems, also known as systems engineering, continues to be a crucial success element.

5. Offshoring and Outsourcing:

Optimizing internal capabilities, supplier skills and capacity, global operations, and new markets is the biggest obstacle still to be overcome. Sometimes outsourcing results in significant cost savings, other times it results in small cost savings, but more importantly, it truly aids in utilizing international product development networks, primarily to access new markets in other regions and utilize international talent pools.

6. Global Competition:

Global competition frequently has a significant impact on the difficulties in developing new products. A business may make significant investments in a new product without being aware that a rival company in another country will soon introduce a similar one. Because product creators want to launch their new products before their rivals, shepherding them from concept to market is sometimes done under extreme time pressure.

7. Time:

One of the main obstacles to the development of new products for businesses today is time. The uncertainty surrounding a new product's failure is reduced when it is introduced at the appropriate moment. It is important to pay attention to the market and release products when there is a demand for them.

8. Market Opportunity:

A business needs to be aware of its rivals, both present and prospective. Only the goods will be commercially successful in the current economic scenario. You won't be able to effectively enter the industry or maintain

your position in the market unless your product is far better than your competitors' offerings.

9. Technological Advancements:

Many may view the quickening pace of technological change as one of the biggest obstacles to developing new products. A technology arms race could create uncertainty for product developers. The upcoming development may be unknown to product creators. Investors in a company risk losing a substantial investment if it selects a path to functioning using a technology that might become quickly outdated.

10. Price:

Another issue for the company is choosing the appropriate price for the product before releasing it on the market. For a product to succeed in the market, having the ideal price is crucial. It's important to set a product's pricing at the appropriate moment.

11. Resistance to Change:

Many consumers are innately conservative and reject change. Most consumers, with the exception of the new early adopters, whose excitement for new products knows no bounds, view innovation as hazardous and find new, unproven products less alluring than tried-and-true alternatives. Therefore, unless it is viewed as safe by potential buyers, any creative product, especially if it has a significant technological component, will encounter opposition and sell slowly.

12. Promotion:

Every marketer's task is to promote a new product in either a new or existing market, as doing so is essential to ensuring the product's continued success. Companies who don't actively market their products are rarely recognized by the market.

2.9 SUMMARY

It is clear that developing new products is a crucial part of any firm. A business must take into account all the crucial elements influencing its development in order to create a successful product. We must comprehend the justification for new product development and how it will assist the company. Additionally, we were able to explain what a PARTS framework and SWOT analysis were. We learned about the blunders made and the difficulties encountered during the development of new products.

2.10 QUESTIONS

1. What is new product development?
2. What are the different steps in new product development process?
3. What is the rationale behind new product development?

4. What are the mistakes and challenges in new product development?
5. What is the meaning of SWOT analysis and PARTS framework?

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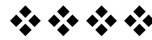

3

MARKET INTELLIGENCE

Unit Structure

3.0 Objectives

3.1 Introduction

3.2 Marketing Metrics

3.3 Use of Market Share Metrics

3.4 Relative Market Share

3.5 Cannibalization

3.6 Supply Chain Metrics

3.7 Measures of Distribution

3.8 Awareness, Attitudes and Usage (AAU): Metrics of the Hierarchy of Effects

3.9 Hierarchy of Effects Model

3.10 Summary

3.11 Questions

3.12 References

3.0 OBJECTIVES

- To understand the different types of information required by marketing managers
- To understand the various marketing metrics
- To understand supply chain metrics
- To understand hierarchy of effects model and metrics of hierarchy of effects

3.1 INTRODUCTION

A management information system called a marketing information system (MIS) is created to assist with marketing decisions. According to Jobber, it is a "system in which marketing data is systematically collected, kept, analyzed, and regularly given to managers in accordance with their informational demands." It is defined more broadly by Kotler, et al. (2006) as "people, equipment, and procedures to acquire, filter, analyze, evaluate,

and communicate necessary, timely, and correct information to marketing decision makers." No matter the size or level of managerial skill of an organization, whether it is for profit or nonprofit, a formal MIS can be very helpful.

MIS is now frequently integrated with computerized systems in many firms. An organization's management information system (MIS) is a crucial resource that must be carefully managed, just like any other resource it may have, such as its human, productive, transportation, and financial resources. A marketing information system (MIS) is a collection of processes and tools created to produce, evaluate, distribute, and preserve information about anticipated marketing decisions. Several facets of marketing can benefit from the operational, administrative, and strategic use of a marketing information system. Some businesses use a more systematic approach to acquiring marketing information and train their sales people, after-sales staff, and district/area managers to be ahead of competition.

One must look at what managers do and what information they require for decision-making in order to identify the correct role of information systems. Additionally, we must comprehend the process of decision-making and the types of decision issues that formal information systems can assist. The value of information systems as tools and the best way to develop them may then be determined.

We all understand that no marketing activity can be conducted in a vacuum; when we say it does not work in a vacuum, we imply that a number of forces, some of which may be external or internal, controllable, or uncontrollable, are at play.

As a result, the marketer must collect the data using his or her own resources in order to understand the forces at play and their effects. In terms of marketing, we can say that the marketer is attempting to gather market information or establish a marketing information system. This information gathering is a continual process that gathers data from many sources, synthesizes it, and provides it to people in charge of satisfying the needs of the market. A marketing intelligence network may or may not be entirely automated, depending on the resources available to a company and the complexity of its requirements. Consistency, thoroughness, and organization are the essential components of a good MIS. Implementing marketing strategies should be based on data from the intelligence network.

Marketing managers require some information which is obtained from three sources:

1. Company Information: customer profiles, sales, orders, reports on customer service, etc.

2. Marketing Intelligence: This is data obtained from a variety of sources, such as vendors, clients, and distributors. A corporation can establish and modify its marketing plans with the use of daily information

about market trends, which is referred to as marketing intelligence. You can purchase intelligence data from external vendors (such IDC, ORG, and MARG) who have set up data collection systems to support commercial intelligence goods that can be supplied to all market participants.

3. Market Research: Management cannot always rely on information coming from internal sources in fragments. Additionally, it is not always possible to rely on sources of market intelligence to deliver accurate or up-to-date information (particularly for smaller or niche market segments). Businesses frequently need to conduct specific studies in these situations to back up their marketing strategy; this is known as market research.

3.2 MARKETING METRICS

- Return on Marketing Investment is a metric used to assess the success of a marketing effort. It aids in measuring results in relation to a certain marketing goal. (Sales Growth - Marketing Cost) / Marketing Cost = Marketing ROI is one of the simple formulae.

- Market share is essentially the portion of total revenues that the company receives. For instance, if 100 soaps are sold and 40 of them are LUX, then LUX has a 40% market share.

- Payback Period: This is the amount of time required to recoup investment costs. Usually, it is expressed in years. For instance, if a business invests Rs. 10 lakhs on a production unit that generates Rs. 1 lakh in positive cash flow annually, the payback period will be 10 years.

- Net Promoter Score (NPS): This measures the likelihood that customers will recommend your goods to others. Asking your client to rate on a scale of 1 to 10 will reveal this.

Customers fall into one of the three categories:

- Detractors: They rate anything with a score of less than 6 out of 10.
- They award a score of 7-8 for passives.
- Promoters receive a 9-10 rating.

Customer satisfaction is a metric for gauging how content customers are.

Share of wallet refers to how much money a brand's regular customers spend with it.

Average Unit Retail Price is the average selling price of an item. It is calculated by dividing total sales in rupees by the number of items sold.

Purchase Intentions is the consumer's willingness to purchase a specific good or service.

Brand Awareness / Preference reflects the level of customer recognition of a product or brand. It is determined by dividing the total rupee sales by the quantity of things sold.

All Commodity Volume is computed by dividing the sales revenue for all stores by the total sales revenue for all stores.

Percentage Sales is a ratio of the total sales of one item to the total sales of all items in the division.

Same Store Sales refers to the difference in revenue generated by existing outlets (retail) over a particular period of time compared to identical period in the past.

Cannibalization is a sales decline brought on by the replacement of one of a company's older products by a new one.

Inventory Turns is essentially a ratio that shows how many times a company has sold and replaced inventory during a given period.

3.3 USE OF MARKET SHARE

1. Avoid using market share as a primary goal or a stand-in for absolute size.
2. Take into account the perspectives of competing companies. Will they be more favorable toward your firm if your market share increases?
3. Take into account the consumer; if a business cannot succinctly describe how consumers will profit from industry consolidation, increasing market share won't matter to consumers.
4. It will be interesting to watch if the increased market share increases revenue.

Market share is the portion of the market that a certain business account for.

- Unit Market Share (%) = Unit sales/ total Market Unit Sales
- Revenue Market Share (%) = Sales Revenue/ total Market Revenue

Purpose:

Changes in sales revenue are a key measure of market competitiveness because they enable managers to assess trends in consumer preference among competitors as well as primary and secondary demand in their industry.

Growing sales from main demand is less expensive & more profitable than capturing market share from rivals.

When market share declines below a specific threshold, it indicates substantial long-term issues that call for tactical modifications

Market share for a specific product within a company's product line can predict future opportunities or issues.

1. Market definition is always a crucial process:

- If a company defines its market too narrowly, it loses the chance.
- In general, it could diffuse its concentration.
- Managers are encouraged to define the market in terms of revenue or unit sales for a precise list of rivals, goods, sales channels, geographic areas, customers, and time periods in order to prevent this.

For instance, D-mart is the revenue and market share leader in grocery stores.

2. Data parameters need to be defined carefully:

For instance, compare producer shipments to customer purchases, or units to rupees. Managers find it important to measure market share over a short period of time when considering short term market dynamics, such as the impact of promotions or recent pricing changes. The manager must optimise the performance when deciding on the market and time frames for the analysis.

3.4 RELATIVE MARKET SHARE

- Relative Market Share = Market Share of the Brand / Market Share of the Biggest Competitor

Goal: To evaluate the position and success of a company or brand

- A company with a 25% market share might be a dominant leader in some markets but the number two player in others.
- It gives managers the ability to assess relative market position in various product markets.

3.5 CANNIBALIZATION

The detrimental effect of a company's new product on the sales performance of its existing and connected items is known as market cannibalization. It describes a circumstance in which a new product "eats" up the demand and sales of a current product, potentially lowering overall sales even as the new product's sales are rising.

- The new product shouldn't be associated too much with older ones.
- Rather, it ought to be directed at various market niches with new attractions.
- When margins on new products are larger than those on old Products, cannibalization is desirable.

- It is frequently desirable to persuade target customers to upgrade to the company's newest products in highly competitive industries.

3.6 SUPPLY CHAIN METRICS

- Out of Stock (%) = Outlet where Brand or Product is Listed but Unavailable / Total Outlet where Brand or Product is Listed
- Inventory Turns = Annual Product Revenue / Average Inventory
- Example: A garment retailer holds Rs.6,00,000 worth of stocks in inventory on January 1, and Rs. 8,00,000 following on December 31. Revenue generated by stock sales totaled Rs. 3.5 million during the year
- Average Inventory = (Rs. 6,00,000 + Rs. 8,00,000) / 2 = Rs. 7,00,000
- Inventory Turns = Rs. 35,00,000 / 7,00,000 = 5
- Inventory Days = 365 / 5 = 73 Days' worth of Inventory

3.7 MEASURES OF DISTRIBUTION

Managers can make better decisions regarding their expansion and growth initiatives by using distribution measures to better understand the retail channel's sales dynamics.

Three distribution coverage metrics are examined in this overview:

- Numerical Dispersion
- Commodity Volume for All (ACV)
- Product Category Volume (PCV), taking into account how out-of-stock situations affect net PCV.

Definition:

A Stock Keeping Unit (SKU) is a special code that may be used to identify any specific good or service that is available for purchase.

Numeric Distribution: A percentage of retail establishments within a certain market that carry a specific SKU or brand.

= (Number of retailers carrying a brand or SKU) / (total stores in relevant market)

Definition:

All Commodity Volume (ACV) is a metric that compares the total dollar volume of retail sales at establishments that carry a certain SKU or brand to the total dollar volume of sales across all product categories.

Total sales of retailers carrying a brand divided by ACV (%) (total sales all stores)

ACV is a more accurate indicator of overall shop traffic than numeric distribution of your product or brand. It says nothing specifically about how those stores merchandise or compete in the relevant product area, though.

Definition

Product Category Volume (PCV) is a measure of the percentage of category sales made by retailers carrying your brand. The phrase "Product Category Volume" should be noted as not being an industry standard.

PCV (%) = (category sales of stores carrying a brand) / (total category sales for all stores)

Percentage Sales on Deals

The purpose is to determine whether trade promotions lead to consumer promotions.

The portion of manufacturer promotions' value that is reflected in trade discounts given to customers by distributors and retailers.

- Calculate the proportion of company sales that include some type of temporary trade discount.
- Take note that standard discounts, such as those for early payment or co-operative advertising allowance, typically do not apply to this (accruals) Percentage of Sales on deal (%) = Sales with the discount / Total Sales

Net Profit and Return on Sales:

ROS is a metric that measures profitability and is frequently used to assess the profitability of businesses and sectors of various sizes. It's important to note that ROS does not take into account the capital (investment) used to produce the profit.

Measurement of profitability levels and rates is the goal.

Net Profit = Sales Revenue - Total Costs

Return on Sales (ROS): Net profit as a percentage of sales revenue.

Return on Sales (%) = Net Profit /Sales Revenue

Evaluating Multi-Period Investments:

Three measures are frequently used to analyse multi-period investments.

- Payback Periods: How long it will take to "pay back" or "return" the initial investment.
- The discounted value of future cash flows less the initial investment is known as "Net Present Value" (NPV).

- IRR (Internal Rate of Return): % The discount rate that yields a negative net present value.
- Harry is considering buying a small chain of hairdressing salons. He estimates that the salons will produce a net income of Rs.15,000 a year for at least five years.
- Harry's payback on this investment is Rs. 50,000 / Rs. 15,000, or 3.33 years.

Share of Wallet

Share of Wallet (SOW) is the term used to describe the percentage of a customer's spending that goes toward your products in a certain product category that your business deals in. Therefore, if a customer spends $1,000 on various goods and $200 of that is spent on your products, your part of the wallet is 20%.

Index of Brand Development

- Brand Sales to Group / Household = Brand Development Index
- Total brand sales divided by all households
- Its goal is to comprehend the brand's relative performance inside a given customer group.
- It compares a brand's average sales per person or household in the market as a whole to its sales per person or household within a given demographic group or geographic area.

Market Penetration is a metric for gauging how well-liked a brand or category is. It is calculated by dividing the number of persons who make at least one purchase of a certain brand or category of goods over a given time period by the size of the relevant market population.

- Market Penetration (%) = Customers Who Have Purchased a Product in the Category / Total Population
- Brand Penetration (%) Customers = Who Have Purchased the Brand / Total Population

Customer Satisfaction:

- Customer Satisfaction: the quantity of customers, or proportion of all consumers, who are satisfied with a company, its goods, or its services (rating) surpasses certain satisfaction benchmarks.
- Willingness to Recommend: The proportion of customers who say they would suggest a brand to friends in a poll.
- A rating of customer satisfaction is typically based on survey data. They emphasize to staff how crucial it is to meet client expectations (Ola)

- Customer satisfaction predicts consumer purchase intentions, loyalty, and desire to promote products and services.

When a business has devoted clients, it benefits from complimentary word-of-mouth advertising, which is cost-free and very powerful.

Customer satisfaction serves as a leading predictor of consumer loyalty and purchasing intentions.

- Despite the fact that several metrics examine brand loyalty, one is known as the "acid test."
- Searching Propensity (%) Percentage of Consumers Willing to Postpone Purchases, Switch Stores, or Buy Less to Prevent Changing Brands.
- This statistic can reveal a lot to a business about the views of its clients and whether or not its market position is likely to be defendable against persistent pressure from a rival.
- Goal: To determine how loyal a company's or a brand's consumer base is.

3.8 AWARENESS, ATTITUDES AND USAGE (AAU): METRICS OF THE HIERARCHY OF EFFECTS

Marketers can quantify levels and trends in customer knowledge, perceptions, beliefs, intentions, and actions through studies of Awareness, Attitudes and Utilisation (AAU). The findings from these surveys are referred to as "tracking" data in some businesses since they are used to monitor long-term changes in consumer awareness, attitudes, and habits.

- AAU studies are most helpful when their findings are compared to an obvious benchmark. This benchmark may include information from earlier time periods, various markets, or rival companies.

- Goal: To monitor changes in consumer views and behavior.

- Metrics for Awareness, Attitudes and Usage (AAU) are strongly related to the notion of the Hierarchy of Effects, which is predicated on the idea that consumers move in phases from lack of awareness through initial product purchase to brand loyalty.

AAU measures are typically created to monitor these levels of understanding, conviction, and behavior. AAU studies may also keep tabs on "who" uses a brand or product, with customers characterized by media use, region, category usage (heavy/light), demographics, and psychographics.

- Knowledge about attitudes and opinions can shed light on why some users favour or dislike particular companies. To collect these data, marketers frequently interview sizable samples of homes or corporate clients.

- Understanding and Information

Depending on whether the customer in a specific study is motivated by a product's category, brand, advertising, or usage situation, marketers evaluate different levels of awareness.

- **Awareness:** The proportion of prospective buyers or consumers who can name or recognise a specific brand. Marketers may do prompted or assisted brand recognition research by asking people questions like, "Have you heard of Mercedes?" As an alternative, they could ask questions like, "What makes of cars spring to mind? " to gauge "unaided" or "unprompted" awareness.
- **Top of the Mind:** The initial company that a client thinks of when given an open-ended question about a certain category. A specific brand's share of customers who think of it first can be calculated.
- **Advertisement Awareness:** The proportion of target customers or accounts that show awareness of a brand's advertising, either with or without assistance. This measure may be media- or campaign- or all advertising-specific.
- **Brand/Product Knowledge:** The proportion of respondents that indicate having certain opinions or knowledge about a brand or product

Margin:

The difference between the selling price and the cost is the margin (on sales).

In practically every marketing choice, managers must have knowledge of margins. Pricing, return on marketing investment, earnings estimates, and studies of customer profitability all depend heavily on margins.

Unit Margin ($) = Selling Price per Unit - Cost per Unit

Margin (%) = Unit Margin / Selling Price per Unit

Margin (%) = (Total Sales Revenue - Total Cost / Total Sales Revenue)

Marketers can carry out a quick check when working with percentage or unit margins by making sure that the sum of the components equals the total.

3.9 HIERARCHY OF EFFECTS MODEL

Robert J. Lavidge and Gary A. Steiner developed the Hierarchy of Effects Model in 1961. According to this marketing communication model, there are six phases between seeing a product advertisement (advert) and buying the product.

The advertiser's task is to persuade the consumer to follow the six stages and buy the product.

	Models			
Stages	AIDA model	Hierarchy of effects model	Innovation adoption	Information Processing
Cognitive	Attention	Awareness Knowledge	Awareness	Presentation Attention Comprehension
Affective	Interest Desire	Linking Preference Conviction	Interest Evaluation	Yielding Retention
Behavioral	Action	Purchase	Trial Adoption	Behavior

Fig. 3.1: Response Hierarchy Models

- **Attitudes / Liking / Image:** A score that consumer give to statements like "This is a brand for people like me" or "This is a brand for young people" when asked to rate them on a scale of 1-5 or 1-7.
- **Perceived Value for Money:** A score that customer give to statements like, "This brand often provides good value for the money," on a scale of 1-5 or 1-7.
- **Perceived Quality / Esteem:** A consumer's assessment, frequently on a scale of 1 to 5 or 1 to 7, when compared to products in a similar market or category.
- **Relative Perceived Quality:** A consumer evaluation of a brand product in comparison to similar products in the market or category (typically on a scale of 1-5 or 1-7).
- **Intentions:** A measurement of a client's expressed readiness to act in a particular way. Survey questions like "Would you be inclined to switch brands if your favorite was not available" are used to acquire data on this topic.
- **Intention to Purchase:** A precise metric or assessment of consumers' expressed intentions to make a purchase.

Net Promoter Score

- Fred Reichheld's essay "The One Number You Need to Grow" from the 2003 issue of the Harvard Business Review is where NPS first appeared. According to Reichheld, it's critical for a business to understand how many of its clients are assets and how many are liabilities.
- The metric can be used to properly direct a company's internal priorities by connecting the customer's subjective response to an objective statistic.

3.10 SUMMARY

We tried to understand the different types of information required by marketing managers. Also, we tried to highlight the various marketing metrics which help us to measure various aspects of marketing. This was followed by understanding of supply chain metrics, hierarchy of effects model and metrics of hierarchy of effects.

3.11 QUESTIONS

- What are the different types of information required by marketing managers?
- Explain the various marketing metrics
- Explain supply chain metrics
- Explain hierarchy of effects model and metrics of hierarchy of effects

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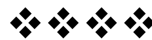


4

PRODUCT AND BRAND POLICY

Unit Structure:

4.0 Objectives

4.1 Introduction

4.2 Product Policy Decisions

4.3 Product and Service Strategies

4.4 Strategies for Product Life Cycle

4.5 Product Line Decisions

4.6 Product Mix Branding Strategies

4.7 Developing New Products: The Lead User Strategy

4.8 Criteria for choosing Brand Elements

4.9 Summary

4.10 Questions

4.11 References

4.0 OBJECTIVES

- To understand the meaning of product and brand policy
- To understand various product and service strategies
- To understand product life cycle and marketing strategies during various stages of product life cycle
- To understand various product mix branding strategies

4.1 INTRODUCTION

Anything that may be supplied to a market and might satiate a need or want is considered a product in marketing. Products are referred to as goods in retail. Products are purchased as raw materials for manufacture and sold as finished commodities. The most common types of commodities are basic materials like metals and agricultural goods, but they can also include anything that is readily available on the open market. In project management, products are the formally defined project deliverables that include or assist in achieving the project's goals. In the insurance industry, the contracts' policies are viewed as products that the

insurance provider is selling. A product is a collection of material and intangible qualities that satisfy customers.

Today's commoditization of goods, media fragmentation, cluttering of advertising, and seemingly endless market options make branding more crucial. A brand is the point where a customer's experience and expectation meet. The buying choice is influenced by a strong brand. It can command a premium price and sell the greatest possible number of copies at that premium. Without even being aware of the specifics of the features of the products, it helps the buyers build trust and a set of expectations about the goods. A corporation's plan to develop a strong brand indicates that the company seeks to increase client loyalty in addition to product sales.

Trust and an emotional connection to a certain product or business are created through branding. Customers find it easier to make purchases thanks to branding. A strong branding strategy sends a clear, consistent message about the importance of the business. When a customer decides to stick with a product made by the same business over one made by a rival, they are demonstrating brand loyalty. Brand loyalty typically pertains to a product rather than a business. Because brand loyalty boosts sales volume, businesses with brand-loyal customers don't have to spend as much on product promotion, which lowers production costs.

Branding is the use of a name, word, symbol, and/or unique design to designate the products or services of a single seller or group of sellers. A seller's products are set apart from those of rival sellers by their brand. A product is branded through the management process of branding. It is a comprehensive phrase that refers to a variety of tasks, including giving a product a brand name, creating a brand logo, and establishing and popularizing it.

Decisions made in accordance with the Product and Brand Policy:

Mix and Line choices

Managing the entire product life cycle, including pre-launch, trimming, and market withdrawal

The function of lead users in product design

Aligning brand culture with organizational culture

Product Policy:

Product policies are broad directives created by the company's top management with reference to product development and planning.

The following are often covered by product policy:

- Planning and development of products
- Product mixture

- Product labelling
- Product placement
- Branding a product

Goals of Product Policy:

1. **Survival:** For any business, maintaining a profitable presence in the market is the primary goal.
2. **Development:** The company's strategies are set up to achieve good market growth based on its long-term objectives.
3. **Flexibility:** The product policy must be adaptable to changing consumer demands, governmental requirements, international trends, and the economy.
4. **Scalability:** To make the most of their valuable resources, the organization should utilize its resources wisely. To increase earnings, the business must eventually establish economies of scale.

Keeping their product range current and competitive is one of their product development goals.

Adjust to shifting consumer demands and broaden the range of goods they may offer to their current target market.

4.2 PRODUCT POLICY DECISIONS

Fig. 4.1: Product Mix Breadth and Depth

Keeping their product range current and competitive is one of their product development goals.

Adjust to shifting consumer demands and broaden the range of goods they may offer to their current target market.

4.3 PRODUCT AND SERVICE STRATEGIES

Individual Product Strategies

- Introduction Strategies
- Growth Strategies
- Maturity Strategies
- Declining Strategies

Product Line Strategies

- Upward Stretch Strategies
- Downward Stretch Strategies
- Two-way Stretch Strategies
- Line Filling Strategies
- Contraction Strategies

Product Mix Techniques

Branding Techniques

Add additional product lines

Delete current product lines

The Process of Diffusion

Consumers go through a procedure to decide whether to adopt a new product when it is initially released to the market. The adoption of an innovation over time is described by the diffusion process.

Fig. 4.2: Diffusion of Innovation

PLC Stages and Characteristics:

Marketers face a different situation at each stage of Product Life Cycle. The diffusion process and competition bring differences at each stage of PLC.

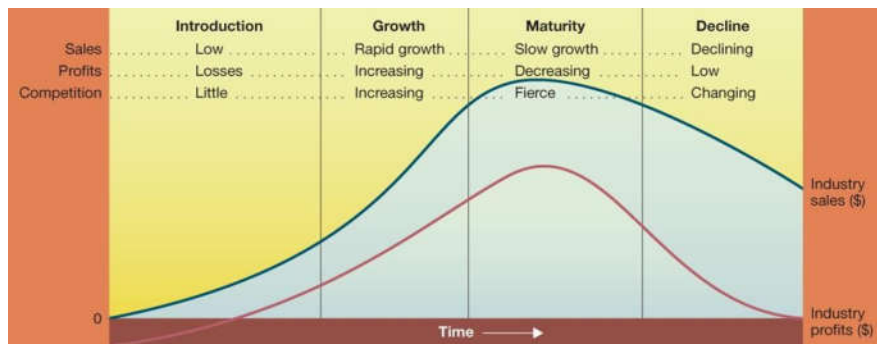


Fig. 4.3: Product Life Cycle

Marketing Strategies during PLC:

	Introduction	Growth	Maturity	Decline
Marketing Goals	Encourage trial, establish distribution	Get triers to repurchase, attract new users	Seek new user or users	Reduce marketing expenses, used to keep loyal users
Product	Establish competitive advantage	Maintain product quality	Modify product	Maintain product
Distribution	Establish distribution network	Solidify distribution relationships	Provide additional incentives to ensure support	Eliminate trade allowances
Promotional	Building brand awareness	Provide information	Reposition product	Eliminate most advertising & sales promotions
Pricing	Set introductory price	Maintain prices	Reduce prices to meet competition	Maintain prices

Fig. 4.4: Marketing Strategies during PLC

4.4 STRATEGIES FOR PRODUCT LIFE CYCLE

Introduction:

Characteristics:

- Low Sales, High distribution n promotion expenses, low or no profit, focus on ready to buy customer, better quality

Strategies:

- All competitors are focusing on building the distribution network & Product awareness

1. **High Price:** Low Promotion Spending: it yields high Profit / unit and marketing cost, Conditions are: Limited Market Size, Product awareness already exists, willing to pay high
2. **Low Price:** Heavy Promotion Spending: Bigger Market Share and faster market penetration
3. **Conditions are:** Large market, Price sensitive buyers, product unawareness, strong competition economic of scale

Growth Stage of PLC

- Be ready for sustained sales increases
- Rapid increase in profitability early in the growth stage that decreases at the end of this stage
- Length depends on the nature of product and competitive reactions

Marketing Strategy Goals in this Stage:

- Leverage the product's perceived differential advantages
- Establish a clear product and brand identity
- Create unique positioning
- Maintain control over product quality
- Maximize availability of the product
- Maintain or enhance the product's profitability to partners
- Find the ideal balance between price and demand
- Keep an eye focused on the competition

Growth Stage of PLC

Strategies:

1) Establish a strong, defensible marketing position
2) Achieve financial objectives
3) Improve or add features
4) Lowering of Price
5) Increase Promotion
6) Strengthening Distribution Channel
7) General Strategy prepares to face tradeoff between High Profit to High Market Share

Maturity Stage of PLC

- Few new firms will enter the market
- An opportunity for new product features and variations
- The longest stage in the product life cycle
- Four general goals in this stage:
    1. Generate Cash Flow
    2. Hold Market Share
    3. Steal Market Share
    4. Increase Share of Customer

Options to achieve these Goals:

a. Product Modification: Quality, feature, Style

b. Market Modification: New users, New Market Segments, Increase Usage

c. Marketing Mix: Value for money concepts, contests, prizes

Declining Stage of PLC

Strategies:

- **Maintain:** Modi Xerox drop the Fax machine but Panasonic is continuing to sell in India
- **Harvest:** Reduce the cost, hope the product sale will be profitable for some time, Hindustan Motors continue to produce Ambassador
- **Drop**

Factors to be considered during this stage:

- Market segment potential
- The market position of the product
- The firm's price and cost structure
- The rate of market deterioration

4.5 PRODUCT LINE DECISIONS

"In order to offer a product line, businesses typically create a core platform and a set of modules that may be expanded to satisfy the needs of various clients.

This modular strategy enables the business to provide consumers with a range of items.

There are three things in it.

1. A study of product lines

2. Choices about product line length

3. Choices about modernizing product lines

Decision on Product Line Length:

Using the sales and earnings of the product and market profile, decide which assets to develop, maintain, or sell.

Stretching a line

Stretching Downward:

To attract new customers, luxury car manufacturers are releasing more affordable vehicles.

A company releases products of poorer quality.

Blocking competitors, competing in the high-volume budget segment of the market, and expanding the positioning of their brand.

Especially for a premium brand, risk is that

- They are stealing market share from their higher-margin goods.
- A general decline in their brand's reputation.
- The requirement to accommodate multiple products or positionings in the market.

Stretching Upwards:

Superior to the offerings as a whole.

Reasons:

Increased unit margin

Increased brand recognition allows price premiums to be applied across the entire product line.

Risk:

It's possible that the current brand equity and image won't translate to the high-end of the market, necessitating the introduction of new brand names.

Competitors who are already on the more expensive end of the market can want to protect their position.

To support high-quality products, additional or extended distribution channels may be needed.

Given that the turnover is often lower at this and the market, the level of sales volume might not be adequate.

Two-way stretch:

The goal of the two-way stretch product line strategy in emerging or new markets is to aim to control or dominate the product category.

Line-filling can be done to increase revenues or make use of surplus capacity. Snack corner and FMCG packaged foods offer a selection of comparable items.

Having too many items to produce and sell poses a risk of product cannibalization, as well as demands on the manufacturing and transportation system and/or sales and service personnel.

Reducing the product line:

Service Line Contracting Companies should think about removing products when:

They don't have any success.

They enter the PLC decline stage.

Marketing expenses for broad product lines are excessively costly.

Decision on Product Line Modernization:

The decision to modernise a product line is crucial since it allows competitors to notice the changes and begin revamping their own lines. In some cases, a product line's length is appropriate, but it has to be updated.

Customer Diversity & Specification of Requirements:

The segmentation or heterogeneity of the client base and the stringency of the productrequirements necessary to satisfy consumer need are the first factors to be taken into account when determining the product line depth.

If the consumer specification is relatively homogenous those specification of varied consumer can be met by shorter product line E.g. Coffee Mug

Ability to tailor an offering to a certain market segment:

Its ability to configure and position the product such that the intended customers perceive it as being made for them hinges on its ability to target the particular product even though the firm may have identified the target segment. Example, Diet Coke

Competition Effect:

To gain a competitive edge with your product range,

1. Preempt a rival: Preemption occurs when a product fills a market niche so effectively that no other firm can financially fill that niche.

   For instance, Harley-Davidson ignores the US lower end market. Suzuki and Honda provide the market and distribution system that allow people to upgrade to high-performance bikes.

2. Achieve a point of sustained differentiation through the growth of your product line: You may do this by leveraging your company's expertise to provide a product that stands out from the competition and offers a market segment exceptional value, like the Apple iPhone
3. By addressing market gaps, a broad product selection makes it challenging for small businesses.

Legitimization:

Expansion of a leading company's product line into a particular product category or market niche at a specific price point can legitimize its position in the market, potentially to the detriment of rivals or potential competitors.

Impact of Category Size

- Product line expansion if a new item increases demand for a product category
- Apple's low-cost addition to its iPhone range, the iPhone 5C, not only competes with Samsung but also boosts the market's desire for iPhones.

Impact on Companies' Own Margin as a Whole:

One of the following three sources may produce a unit sale for a new item:

1. Increasing the category
2. Taking away a sale that a rival would have otherwise made or
3. Taking away a sale from an item in a company's line that would have otherwise been sold (Cannibalization)

Value of a brand:

Ability of brands to boost growth

Effect of brand extension on overall brand equity

Nike management acknowledges that expanding a brand into casual sneakers was a mistake in its early years.

Variety Cost vs. Scale of Opportunity:

Problems include R&D costs, technical advancements, and inventory carrying costs brought on by supply chain complexity. Extension boosts unit sales of the line and the extra sales can bring down the cost across the line.

Collaboration Response

Retailers' and distributors' reactions to the new product

Mix of Products Breadth:

Even if there is minimal connection to the company's current operation, there is economic opportunity and existing skill (ITC in Hotel)

The new products that are connected to existing products in some way provide the greatest advantage.

Starting a company whose profit stream will negatively affect the profit stream of an already existing company, hence lowering the enterprise's overall risk.

Coca-Cola is building a strong foothold in the mineral water industry to offset the danger of soda sales dropping if the market shifts.

Making use of the company's main asset, which highlights its present line of products; Examples of complementary items that allow a company to be a complete solution provider include P&G and HUL.

For instance, when P&G purchased the Gillette Firm and its Oral B toothbrush line, it became the market leader in oral care and the only significant oral care company with a wide range of products in all categories, including toothpaste, toothbrushes, whitening, etc.

It's crucial to evaluate scarce resources carefully.

Product-Mix Strategies: A somewhat constrained product mix means that the brand is frequently more of a niche player. It forces or restricts the brand/firm to compete in different sections of the market.

The collection of all commodities and products that a specific vendor provides to customers is known as the product mix.

All product lines and individual goods that the company markets are included in the product mix.

Product mix decisions include choosing breadth, length, depth, and uniformity

- Add new product categories
- Get rid of current product lines
- Branding Techniques

4.6 PRODUCT MIX BRANDING STRATEGIES

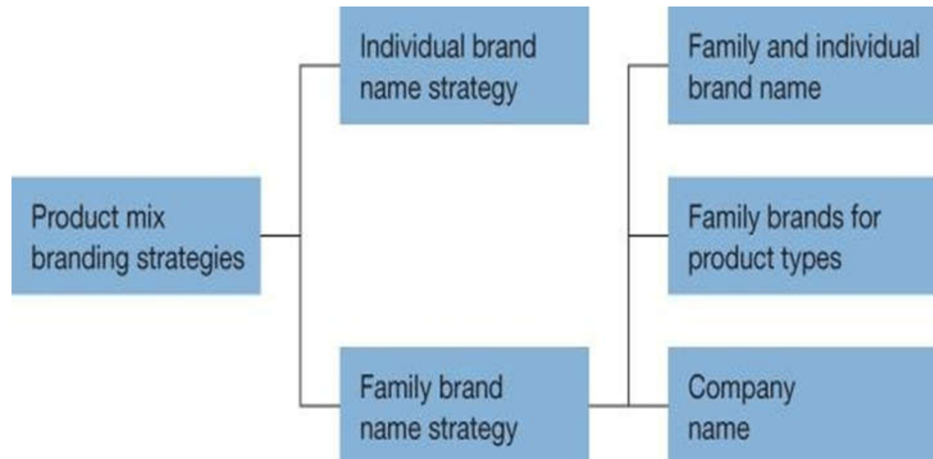


Fig. 4.5: Product Mix Branding Strategies

Branding Decisions:

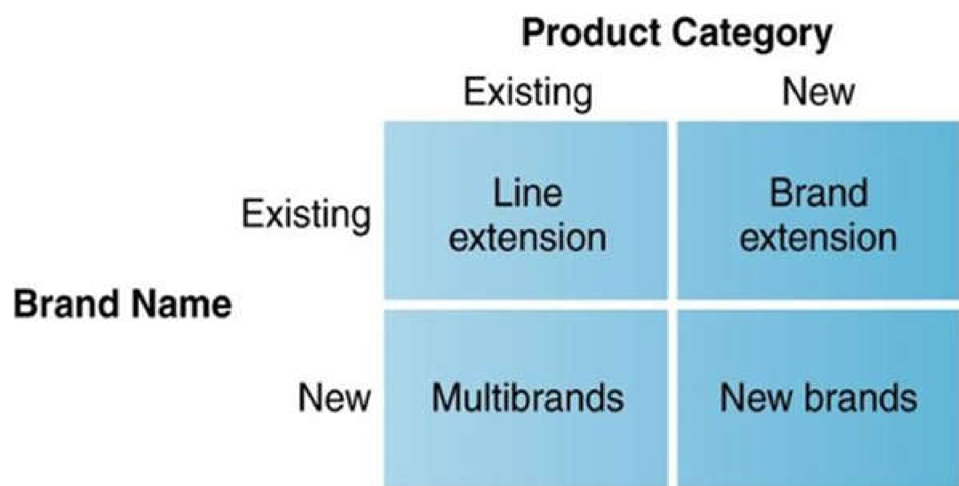


Fig. 4.6: Branding Decisions

4.7 DEVELOPING NEW PRODUCTS: THE LEAD USER STRATEGY

An early adopter of a new product or technology that is anticipated to eventually be used by many people is referred to as a lead user.

When there is no commercial solution available, lead users invent one (referred to as "Jugaad" in India).

Lead User Curve: This curve shows how a market trend is shaped. Lead users have requirements that are far in advance of the trend; as time passes, more people have the same requirement.

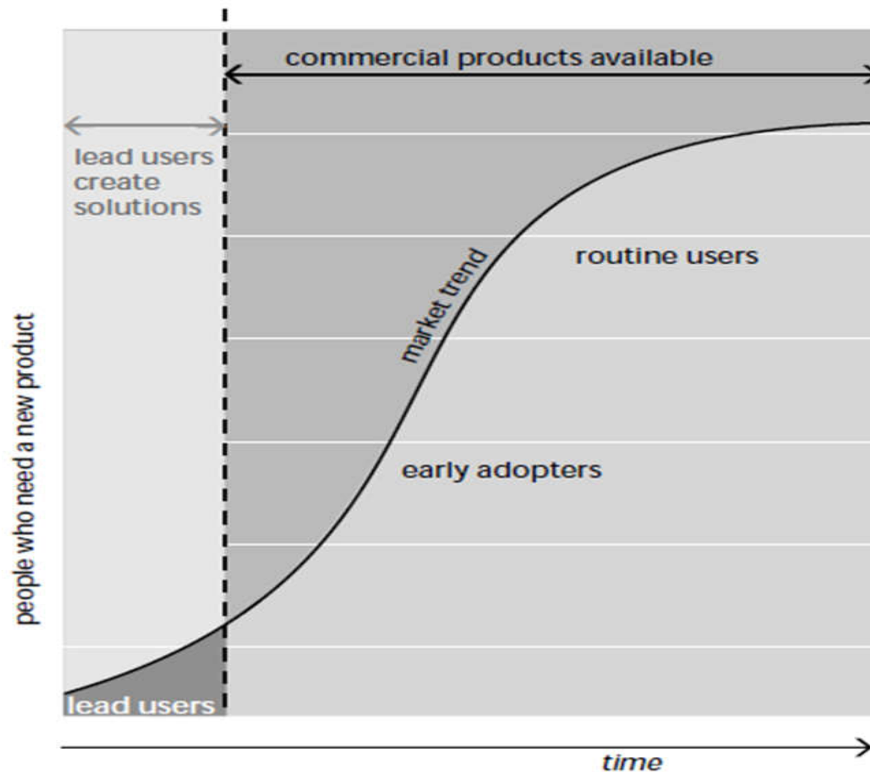


Fig. 4.7: Lead User Curve

System for Lead Users:

A small cross-disciplinary team made up of representatives from the marketing and technical divisions forms to begin the lead user process.

The project is led by one individual. On average, team members work on a project for 12 to 15 hours per week.

This degree of involvement encourages original thought and keeps the project moving forward.

Four phases are involved in lead user initiatives.

Lead User Methodology:

Phase 1: Putting the groundwork

- Determine the target markets.
- Identify the types and degrees of innovations that the company's stakeholders want to see.

Phase 2: Identifying trends

- Seek the advice of specialists and those with a thorough understanding of cutting-edge applications and developing technology in the field being researched.

Phase 3: Identifying lead users

- Start a networking strategy to find users who are at the cutting edge of the target market and related markets and learn from them.
- Amass knowledge that aids in locating innovative concepts.
- Create draught product ideas based on the information gathered.
- Evaluate the concepts' commercial viability and alignment with corporate objectives.

Identifying Lead Users

- Networking: Teams start by outlining their issue to others with relevant experience.
- They then request a recommendation for someone with even more in-depth knowledge.
- As a result of continued networking, Lead Users emerge at the front of the target market.

Phase 4: Developing the breakthrough

To start, conduct a workshop with a number of lead users, internal technical and marketing staff, and the lead user team.

To create final designs that are perfectly suited to the demands of the organisation, participants first work in small groups and then collectively.

Following the workshop, the project group:

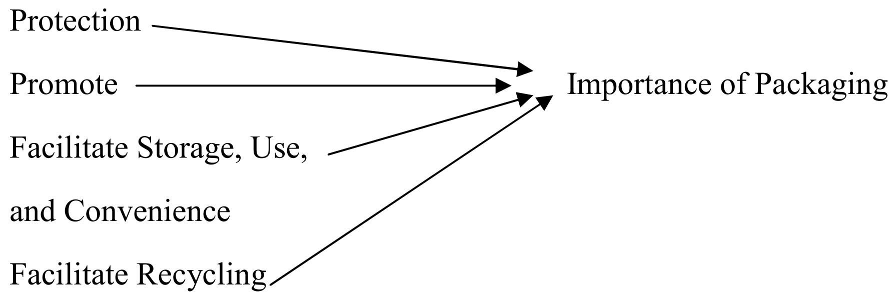
- hone the ideas even more
- assesses their suitability for the needs of the target market's consumers.
- thereafter makes recommendations to upper managers.

Brand Strategies:

		Product Category	
		Existing	New
Brand Name	Existing	Line Extension	Brand Extension
	New	Multi brands	New brands

Fig. 4.8: Brand Strategies

Importance of Packaging



BRAND CULTURE

- Brand culture is a company culture in which employees "live" to brand values, to solve problems and make decisions internally, and deliver a branded customer experience externally.

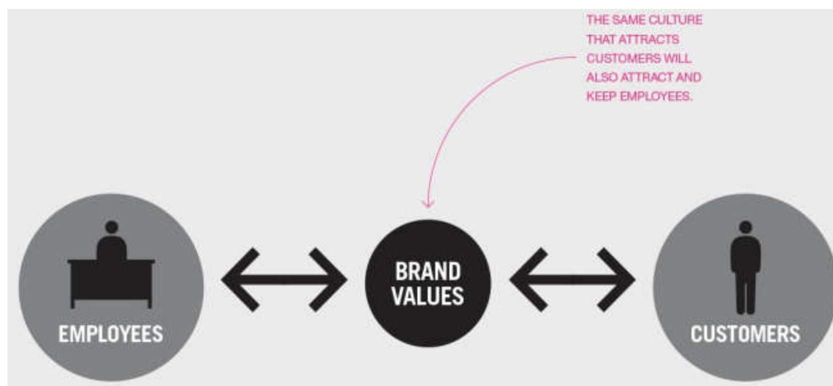


Fig. 4.9: Brand Culture

Employees who "live" by a brand's values, solve problems and make decisions on their own, and provide a branded customer experience externally are said to have a brand culture.

If culture is "what your employees think of you," brand is "what your consumers think of you." The two senses must coincide, which is both desired and important. The brand of an organization is the culmination of consumer impressions and decisions that are informed by both rational and emotional experiences with the brand.

The customer's interaction with the staff of an organization, who serve as brand ambassadors, is a crucial touch point.

Employees have the power to positively or negatively impact customers' experiences with brands. In addition to marketing, employees' attitudes, and behaviors as well as their capacity to provide customers with pleasant brand experiences also contribute to the creation of brands.

The concept of the product life cycle is crucial to marketing. The various stages of the product life cycle must be taken into account when planning and defining the marketing mix strategies. Understanding the five stages of customer acceptance is also crucial. It will be simple for firms to

develop appropriate marketing mix strategies, particularly promotion tactics, if these stages are well analyzed.

4.8 CRITERIA FOR CHOOSING BRAND ELEMENTS

The following qualities should be present in a good brand as feasible.

1. Simplicity:

The brand name ought to be short and simple to say. Simple names don't have to be common place; they only need to be appropriate for the product. For instance, Nirma or Lux.

2. Memorability:

A strong brand should be able to stick in consumers' minds. The brand should have a memorable name that appeals to more people in order to stay in their minds. To promote brand memory, the brand's owner may use a significant amount of advertising.

3. Catchy:

The brand name needs to be catchy. For instance, the audience finds certain brand names to be very enticing. It might be associated with a location like Gwalior Suits. It could be somehow related to the product, like Tips and Toes.

4. Capable of Feature Description:

The brand might be able to describe its qualities, features, etc. Action Shoes, Thumps Up, Fair & Lovely, All Clear, Duracell, etc. are a few examples.

5. Suitability:

The brand name, mark, design, or image used for the product must be appropriate. For the soft drink, for instance, the Thumps Up symbol and the brand name can work effectively. Ice creams can do well with the Go Cool brand name.

6. Clarity:

There must be no ambiguity in the brand identification. There shouldn't be any overlap with other brands. To prevent misunderstanding among customers, brand names, colors, designs, trademarks, and other elements must be easily recognizable.

7. Long-Term Use:

Brands ought to permit ongoing use. The name, colors, designs, and other elements should not need to be changed over time. As a result, the brands must be described using proper names and marks.

8. Profitability:

The brand must be created in a way that makes it simple to register it under the Trade and Merchandise Act of 1958. If a brand's application for registration is denied, others may easily copy it.

9. Differentiated:

The brand must stand out from those of rivals. The name, design, logo, and other elements must be original. People ought to exclaim, "Oh this is amazing." Maybach, Omega Watch, Mount Blanc Pens, Rolls Royce, Rolex and Raymond's are examples of premium brands.

10. Use in all contexts:

The brand should encourage widespread use. Other nations shouldn't raise objections to it. The brand should be easy for international customers to recognise and remember. The ubiquitous brands include things like Pepsi, Colgate, and Coca-Cola.

11. Pronounced easily:

Such brands as Onida, Dettol, Thumps-up, Amul, Tata, LG, Samsung, etc. should be simple to say, spell, and remember.

12. Adaptable:

The brand should be able to adjust to any potential new offerings.

4.9 SUMMARY

First, we made an effort to comprehend what a product and brand policy meant. We were able to comprehend various product and service strategies as a result. After that, the definition of the term "product life cycle" and marketing tactics used at various stages of the cycle are examined. Next, it was determined to research several product mix branding tactics.

4.10 QUESTIONS

1. Explain the meaning of product and brand policy
2. Explain various product and service strategies
3. Explain what do you mean by product life cycle and marketing strategies during various stages of product life cycle
4. Explain various product mix branding strategies

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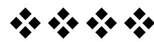

5

PRICING POLICY

Unit Structure

5.0 Objectives

5.1 Introduction

5.2 The Concept of Pricing

5.3 Pricing Strategy for New and Existing Products

5.4 Pricing Strategies

5.5 Determining Specific Prices and Policies

5.6 Pricing Strategies

5.7 Summary

5.8 Questions

5.9 References

5.0 OBJECTIVES

- To understand what is price and the concept of pricing
- To understand the pricing strategy for new and existing products
- To study the cost analysis for pricing decisions
- To understand various pricing strategies

5.1 INTRODUCTION

Companies that produce goods and services are required to determine the cost of their offerings. One of the most crucial choices a management must make is the price of the company's goods. The most important component of marketing management is pricing. As the source of income for a businessperson but an expense for the consumer, pricing is a profit-planning activity. While the consumer wants to pay as little as possible for his purchase, the business owners want to earn the greatest price possible for the good he sells. As a result, one of the most important and challenging decisions a firm's managers must make is choosing the price. One of the main factors in determining a product's pricing is cost.

It is one of the three main variables that affect pricing. Customers and competition make up the other two factors.

Pricing is a strategy used by a company to determine its selling price. It typically depends on the company's regular prices as well as how much the buyer thinks the product is worth in relation to similar products. The selection, estimation, and evaluation of costs, comparative analysis, and market conditions are all factors that differ in importance depending on the pricing approach.

For many businesses, pricing decisions are a major challenge.

Examples are

- inexpensive carriers threatening large airlines.
- pharma companies are under pressure to lower their pricing.
- a fierce price war between grocery chains.
- aggressive price cuts by automakers to keep market share.
- counterfeit goods posing a threat to well-established companies.

What is Price?

One component of the marketing mix that generates income is price.

It is the amount paid for some goods and services.

Pricing is the process through which a company decides how much it will charge for its goods and services.

5.2 THE PRICE CONCEPT

The cost of a good or service charged is known as the price. To put it another way, it is the exchange of value in monetary terms between a customer and the advantages or satisfaction of owning or utilizing a good or service. Price is referred to as one of the components of the "marketing mix" in the context of marketing, which also includes quality, design, advertising, promotion, and distribution. But there is a significant distinction between pricing and other factors.

The selection of a suitable price is crucial for a company's performance since there is an important distinction between pricing and the other components of the marketing mix: price generates income while the other components result in costs.

Pricing is the process of figuring out what a business will get in return for its goods. Manufacturing costs, the marketplace, competition, the state of the market, brand, and product quality are all factors that affect prices. In the theory of microeconomic price allocation, pricing is also a crucial variable. Pricing is one of the four Ps of the marketing mix and a crucial component of financial modelling. (The three additional factors are product, promotion, and place.) The other three of the four Ps are cost centres; only price generates money.

Importance of Price

Profits are directly influenced by price (or losses)

Costs are indirectly impacted by price (through quantity sold)

The sort of consumer and level of competition a business will draw are determined by price.

Price has an impact on a brand's reputation.

All other marketing mix actions could be rendered useless by a pricing mistake.

Pricing Techniques:

Pricing for new goods

Lifetime pricing

Adapting the positioning approach

Combating threats from competitors

5.3 PRICING STRATEGY FOR NEW AND EXISTING PRODUCTS

1. Choosing the Pricing Goal:

Setting a price is made simpler when a company's goals are clearer.

There are five main goals:

a. Survival

b. Current maximum profit

c. Largest market share

d. Exhaustive market scanning

e. Product-quality management

2. Examining the Price Environment:

It depends on four variables

a. Consumer price sensitivity

b. Moral and legal restrictions

c. Costs of the goods

d. Potential responses from rivals

Price Sensitivity of Customers

How big is the product market in terms of potential customers?

What are the market segments, and how should the market be targeted?

How responsive to price fluctuations is the segment's demand?

How significant are non-price aspects like performance and features?

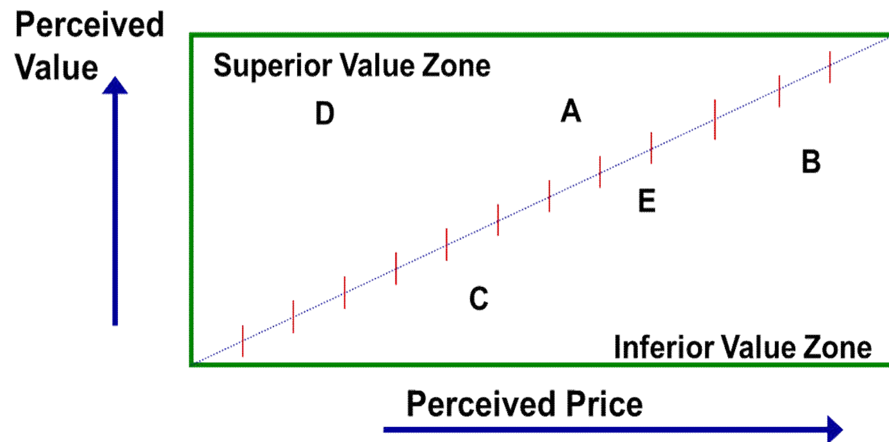

Fig. 5.1 Perceived Value Pricing

Analyzing Costs to Make Pricing Decisions

- Find out what goes into the product's cost.
- Calculate the relationship between cost and sales volume.
- Analyze the product's cost competitive advantage.
- Consider the impact of production experience on costs.
- Calculate the degree of cost control management has

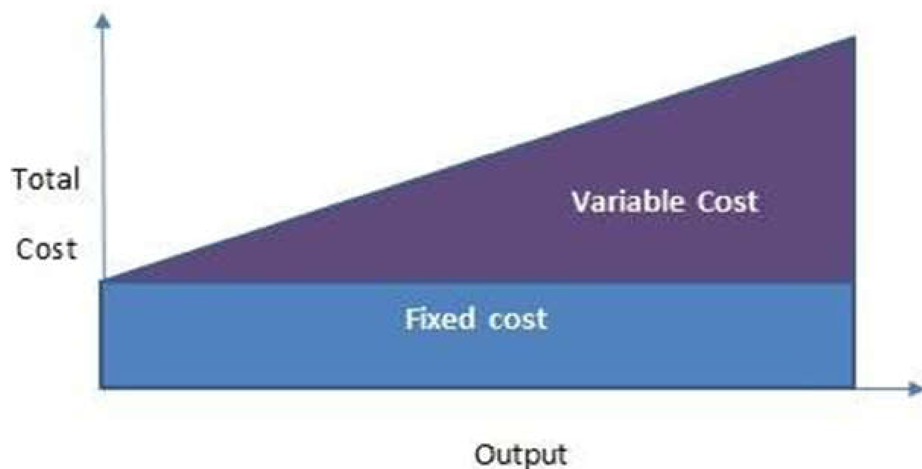

Fig. 5.2: Fixed and Variable Cost

Competitor Research

Which businesses are most directly competing with each other?

Positioning of competitors based on relative prices

Success of competitors' pricing tactics

Potential responses from rivals to different pricing schemes

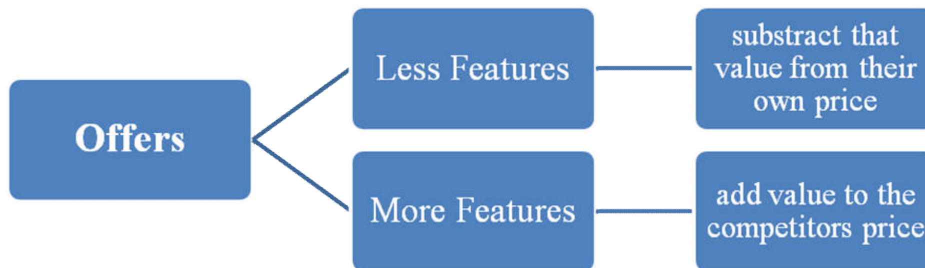

Fig. 5.3: Types of Offers

Analyse Competitor's Costs, Prices and Offers

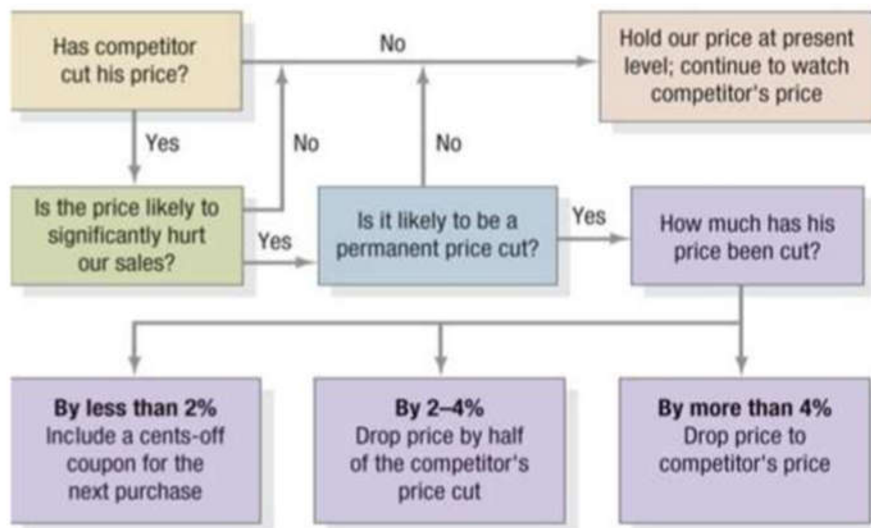

Fig. 5.4: Competitor Costs, Prices and Offers

Legal and Ethical Price Analysis

Horizontal Price Fixing

Discrimination in prices

Misleading pricing

Pricing in the Distribution Channel

Data Regarding Prices

Choosing a price approach

It takes into account issues like:

a. How much is the flexibility?

b. Where should price be in relation to costs?

c. How visible should the product's pricing be?

Determinants of pricing flexibility

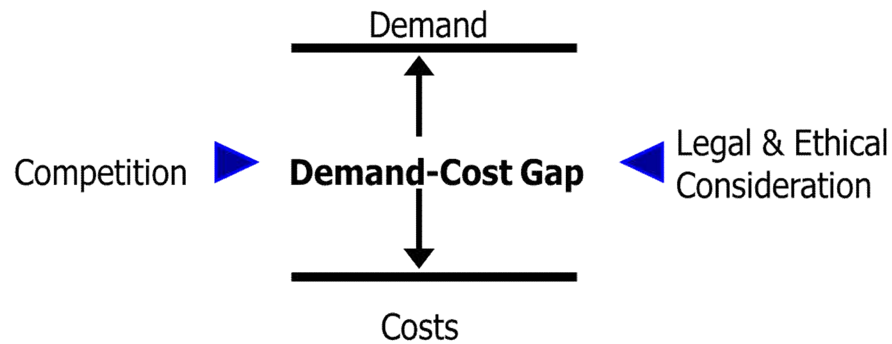

Fig. 5.5 Competition, Demand, and Costs

Calculating feasible price:

a. **Demand in the target market:** The price is influenced by the level of demand among the target market.

b. **Marketing and business tactics:** The organization's entire business and marketing strategy is a major determinant of a product's price. Different products will be priced differently based on their features and what makes them unique from other products.

c. **Pricing charged by competitors:** The prices that we take into consideration for our goods will be influenced by the prices that the competitors charge.

d. **Prices of alternatives:** We must set our product's price in line with those of the alternatives offered by other businesses.

e. **Product costs:** The cost of the product will determine the price that is charged.

5.4 PRICING STRATEGIES

Strategies for New-Offering Pricing:

1. Skimming Pricing Strategy (Gillette Mach3): initial high price that gradually declines

2. Nintendo's Penetration Pricing Strategy: The pricing is originally set low to enter the market.

3. Intermediate Pricing Strategy: the most popular option between the two extremes.

Pricing strategies for new goods:

Pricing for market penetration: Reasonably priced entry into a market.

Using premium prices or prestige pricing to attract early adopters and recoup significant R&D expenditures - Skimming

Penetration: Decreasing cost with time Reduce inventory and prolong product life.

When to Use Skimming Pricing:

When Demand is likely to be Price Inelastic

Various price-market segments exist.

The product is distinctive enough to warrant patent, copyright, or trade secret protection from rivalry.

Costs of production or marketing are not known.

There is a capacity limitation in the service or product production

A company wants to raise money rapidly.

The product or service has a realistic perceived worth.

Utilizing Penetration Pricing:

When Demand is anticipated to be elastic in terms of price

The product is not very novel or covered by any patents, copyrights, or trade secrets.

Competitors are anticipated to swiftly enter the market.

Price-market segments are not distinct and independent.

If a high sales volume can be produced, there is a chance that significant production and marketing cost savings will occur.

Getting a sizable market share is the organization's main goal.

5.5 FINDING SPECIFIC PRICES AND POLICIES

Choosing Particular Prices

Regulations for Pricing Strategy

Issues with Special Pricing

Basis for Calculating Particular Prices

1. Cost
2. Demand
3. Competition

Choosing a pricing strategy

3C's factored into price setting

Costs provide a price floor.

An anchoring point is provided by the prices of substitutes and competitors.

The ceiling pricing is determined by how distinctive features are perceived by customers.

Price-Fixing Techniques:

Depending on the margin or markup chosen for the goods, markup pricing

Pricing based on perceived value: In this case, the customer's assessment of value determines how much something costs.

Pricing is done here in accordance with the standards currently in effect for the specific industry or region.

Creating a Pricing Structure and Policy:

Policy:

Refunds, discounts, allowances, and other operational policies

Pricing Framework:

Relationships between line pricing and product mix.

How the line's prices compare to one another for individual goods

Pricing Strategy Management:

1. You are better off if more customers and competitors know about your pricing. Being open and honest about a company's costs and the worth of its products is essential in the information era.
2. In markets with intense competition, attention should be paid to market sectors that offer chances to establish a competitive edge. A pricing strategy that is value-oriented results from such a focus.
3. Pricing choices ought to be determined in the context of a general marketing strategy that is integrated into a corporate or business strategy.
4. Profit is the primary consideration for setting prices, not sales volume or market share.
5. Prices ought to be determined by how buyers judge the worth of an item.
6. New product pricing should begin as soon as product development does.
7. Incremental avoidable costs are the relevant costs for pricing.
8. When a pricing generates incremental revenues that outweigh incremental costs, it may be lucrative.
9. The price function should be managed by a central organising unit. In general, it is preferable to refrain from letting salespeople set prices, especially when they lack access to profitability data and specialised training in pricing and revenue management.

10. Instead of treating price setting as an annual event, pricing management should be seen as a process.

Particular Pricing Conditions:

Price segmentation: In this instance, various prices are charged to various client segments.

Value Chain (Distribution Channel) Pricing: In this case, the pricing is based on the value chain stage where the product is located.

Price flexibility: In this case, the price can be altered to suit various markets or clients.

Product Life Cycle Pricing: In this case, the price is determined by the stage of the product's life cycle - that is, whether it is in the introduction, growth, or maturity stages.

Market-Based pricing:

Pricing Existing Products/Services - 3 options

a. Pricing below market prices price wars

Eg.: airlines, store brand vs. manufacturer’s brand

b. Dumping

Pricing above prevailing market prices for similar products

Eg.: Sony: higher price = higher quality?

c. Pricing at or near market prices

Pricing and Interaction with Competitors:

A pricing war is when competitors reduce their prices repeatedly in an effort to boost or keep their unit sales or market share. occurs when:

a. The price is lowered in order to increase market share, unit sales, and profit

b. The lower price is matched by competitors

Loss of anticipated share, sales, and profit from initial price decrease

In order to prevent a price war, only consider price reduction when:

a. The business outperforms its rivals in terms of costs or technology.

b. If prices are decreased, a product class's primary demand will increase

c. The price reduction is limited to particular goods or clients rather than being applied universally.

5.6 PRICING STRATEGIES

Different pricing strategies can be used by organizations to set the product's price. The following significant pricing techniques are covered:

1. Price based on Cost :

A profit component is added to the product's manufacturing cost to determine price. Cost of the item serves as the primary criterion for setting a price. In order to do this, the cost of producing or purchasing the good is included as a defined sum or percentage when determining the price. Despite its continued widespread use, this pricing technique is in some ways rather dated and somewhat denigrated. Customers are more interested in the value the product offers them than they are in how much it cost to manufacture it.

a. Cost Plus Pricing:

When a retailer needs to know with some confidence what the gross profit margin of each transaction will be, they frequently utilise cost-plus (or "mark-up") pricing. There are two variations of this: full cost pricing, which accounts for both variable and fixed costs, and markup pricing, which adds a percentage. The alternative is direct cost pricing, which combines variable expenses with a markup of some proportion. The latter is only employed during times of intense competition because it frequently results in long-term losses. This strategy has the benefit of letting the company know that its expenses are being met. The biggest drawback of cost-plus pricing is that it could result in uncompetitive prices for goods.

b. Marginal-cost Pricing:

With this approach, the price of a product is set at the additional expense of creating an additional unit of output. This policy limits the producer's ability to charge for each unit of a product sold to the addition to total cost attributable to materials and direct labour. When sales are sluggish, businesses frequently set prices that are near to their marginal costs.

c. Economy Pricing:

This is a straightforward low cost. A product is marketed and promoted for the least amount of money possible. In supermarkets, you can frequently find budget brands of soups, pasta, etc. In order to provide the consumer a relatively lower price to fill an aircraft, budget airlines are renowned for keeping their overhead costs as low as possible. The first few seats on a flight are sold for a very low price (nearly a promotional price), the middle portion is made up of economy tickets, and the final few seats on a flight command the highest price (which would be a premium pricing strategy). Sales increase during recessions because to economy pricing.

d. Product Life Cycle Pricing:

Every product has what is known as a life cycle. A product moves through the cycle's introduction, growth, maturity, and decline stages throughout time. A small business would typically maintain higher prices when sales are flourishing, and the organization is in the growth stage. Customers will probably pay the higher price, for instance, if the company's product is special or of higher quality than similar products. A business that charges high prices for its goods while it is still growing can also have highly sought-after new technology.

2. Customer based Pricing :

Where prices are set based on what a company anticipates that customers would be willing to pay. The following are a few examples of popular customer-based pricing techniques.

a. Penetration Pricing:

The goal of penetration pricing is often to grow a product's market share, giving the chance to raise the price once this goal has been accomplished. Setting a relatively low initial entry price, typically lower than the anticipated established price, in order to draw in new clients is known as penetration pricing. Due to the cheaper pricing, the plan hopes to persuade customers to switch to the new product. The most frequent association of penetration pricing with a marketing goal is an increase in market share or sales volume. Penetration pricing is probably going to produce less profits in the short run than it would if the price were set higher.

However, having a larger market share has certain important advantages for long-term profitability, therefore the price strategy is frequently justifiable. A lower price than competing items is a competitive advantage when a product enters a market with little to no significant product difference and price elasticity. This strategy is frequently employed to assist the launch of new products.

b. Price Skimming:

Skimming is the practise of setting a high price before rival businesses enter the market. This is frequently utilised for the introduction of new products that, typically because of technological features, face little to no competition. "Early adopters" who are willing to pay more for such things frequently purchase them.

Skimming as a tactic won't work for very long because other companies will soon release products that put pressure on the price. An innovative new product may face difficulties with distribution (location). The increased margins that can be achieved by price skimming may have to be reduced in order to persuade retailers to stock the product. Another issue is that a company may slow the volume increase of the demand for the product by price skimming. This may allow rivals more time to create

substitute products in preparation for the period of time when the market's (measured in volume) demand is the strongest.

Skimming is frequently utilised in electronic markets when a new range is first released into the market at a premium price in order to cover the expense of investment in the original research into the product. This tactic is only used for a brief period of time to recoup the majority of the expenditure required to create the product. Other pricing strategies like economy or penetration must be used by a supplier in order to increase their market share. This approach could leave the product with a high price compared to the competitors, which can have several drawbacks.

c. Price Discrimination (Differential Pricing):

The act of charging a different price for the same product in various market sectors is known as price discrimination. For instance, this might be for several classes, such as age groups, or for various operating hours. Whether to utilise a single price or numerous prices for the same product is a crucial decision in pricing. Utilizing a single pricing has a number of advantages, including the fact that it is straightforward, easier for both employees and customers to understand, and less likely to lead to a hostile relationship between marketer and customer. A single pricing also presents certain difficulties: if it is too expensive, some customers might not be able to buy the goods. If the price is too low, clients who would have spent more if it were more expensive cost the business money. Differential pricing refers to setting different rates for various customers while maintaining a consistent level of product quality and output. The market must be divided into various sectors with various price sensitivities, and the pricing strategy must be used in a way that prevents customers from becoming perplexed or enraged.

d. Temporary Discount Pricing:

Small businesses may also employ transient discounts to boost sales. Coupons, cent-off deals, seasonal price cuts, and even volume purchases are examples of temporary discount pricing tactics. For instance, to minimise product inventory after the holidays, a small garment company might offer seasonal price discounts. A buy-two-get-one-free deal could be part of a volume discount.

3. Competitor-based Pricing:

The primary factor affecting price in this technique of pricing is competition. Customers have a large selection of vendors to choose from when there is fierce rivalry in a market. They could choose to purchase from the vendor who charges the lowest price or the one who provides the finest customer service. However, clients will undoubtedly be aware of what is a fair or typical pricing in the market. In a market where there is competition, the majority of businesses lack the clout to raise prices above those of their rivals. They frequently set prices that are in line with those of their direct competitors, a practice known as "going-rate" pricing.

In effect, such businesses are "price-takers" - they must accept the going market price as determined by the forces of demand and supply. An advantage of using competitive pricing is that selling prices should be line with rivals, so price should not be a competitive disadvantage. The main problem is that the business needs some other way to attract customers. It has to use non-price methods to compete - e.g., providing distinct customer service or better availability.

4. Other Strategies:

a. Target Pricing:

It is a pricing strategy in which a product's selling price is determined to generate a given rate of return on investment for a particular volume of production. The target pricing strategy is most frequently employed by public utilities, such as electric and gas companies, and businesses with significant capital expenditures, such as automakers.

Target pricing is useless for businesses with low capital expenditures since, using this equation, the selling price will be overstated. A corporation may experience an overall budgetary loss on the product if the entire volume is not sold because the target pricing strategy is also unrelated to the product's demand.

b. Time-based Pricing:

It is a flexible pricing structure that has been made possible by information technology advancements and is primarily used by internet-based businesses. Dynamic pricing enables online businesses to adjust the prices of identical goods to correspond to a customer's willingness to pay by responding to market fluctuations or vast amounts of data gathered from customers - ranging from where they live to what they buy to how much they have spent on previous purchases. The airline sector is frequently used as an example of dynamic pricing success. In fact, it uses the strategy so masterfully that the majority of passengers on any one airline have purchased tickets at various price points for the same flight.

c. Value-based Pricing:

Pricing a product should be based on the value it provides to the client, not on its production costs or any other aspect. When the value to the consumer is significantly greater than the cost of delivering the good or service, this pricing model is typically employed. For instance, the cost of making a software CD is roughly the same regardless of the software on it, but the pricing varies depending on the projected perceived value from the buyers. The customer's options will affect how much value they believe they are receiving. Utilizing competing software, finding a manual workaround, or refraining from doing an action are examples of alternatives in business.

You must understand your customer's business, his business expenses, and his perceived alternatives in order to use value-based pricing. Other names for it include perceived-value pricing.

d. Product-Line Pricing: Setting and modifying prices for various products included in a product line is known as product-line pricing. Instead of concentrating on the profitability of a single product, a marketer should aim to optimise profits across the board.

1. Captive Pricing

Captive pricing includes setting a low price for the entry-level item in a product range while setting a higher price for the necessary accessories or enhancements.

2. Premium Pricing

When a product line includes various high- and low-quality variations of the same item, premium pricing is frequently applied. It implies charging more for goods with higher quality or greater versatility.

3. Bait Pricing

a) Bait pricing is when a marketer sets the price of one item in a product line low with the goal of selling another item in the line at a higher price.

b) The marketer anticipates that the cheaper item will draw customers into the store, where they will then hopefully buy the more expensive item.

4. Price Lining

a) Price lining entails a company setting a small range of pricing for particular categories or product lines.

b) The fundamental premise of price lining is that demand for different groupings or sets of products is inelastic. Customers will continue to buy when prices are reasonable and will not react to little price fluctuations.

5.7 SUMMARY

We made an effort to comprehend what a price is and how pricing works. Additionally, we were aware of the price policies for both new and old products. Understanding the cost analysis for pricing decisions and the impact of cost on price. After carefully examining several pricing schemes, we were able to determine when to use each one.

5.8 QUESTIONS

1. What is price and explain the concept of pricing
2. Briefly explain the pricing strategy for new and existing products
3. Explain how cost analysis is used for pricing decisions
4. Explain various pricing strategies in detail

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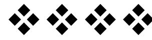

6

MARKETING PLAN

Unit Structure

6.0 Objectives

6.1 Introduction

6.2 Features of Marketing Plan

6.3 Contents of Marketing Plan

6.4 Developing Marketing Strategies and Plan

6.5 Why do Marketing Plans fail and Factors affecting Profitability

6.6 Summary

6.7 Questions

6.8 References

6.0 OBJECTIVES

- To study and understand the meaning of marketing plan
- To study the features and contents of marketing plan
- To study the steps in developing marketing plan
- To study the 10 elements of marketing plan
- To study the reasons for failure of marketing plans
- To study the measures of marketing program effectiveness

6.1 INTRODUCTION

The Marketing Plan is the most crucial section of a business plan. This plan must be tailored toward the objective of the company - its product and service lines, its markets, its financial status, and its marketing and sales strategies - in order to keep the business on track.

Meaning Of Marketing Plan:

A marketing strategy details the precise steps that will be taken to pique the interest of potential customers and clients and convince them to purchase the provided goods and services.

A marketing plan is a business document created to describe a company's current position in the market and its marketing strategy for the time period it covers. Marketing strategies typically last one to five years. A

marketing plan should clearly outline the steps that will be done to accomplish the company's marketing goals. Information like the target market, competitors, marketing budget, and promotional mix are all included in the marketing plan.

A marketing strategy is a document that describes the state of the market and how a company plans to use its future marketing and advertising budgets. It specifies who the target market is and how to sell a good or service.

It outlines precise and doable marketing department tactics. The plan is frequently utilized in conjunction with business or development plans in order to help a company realize its potential for growth.

6.2 MARKETING PLAN FEATURES

Following is a discussion of the key elements of the marketing plan:

1. Marketing planning is a continuous process; it is not a one-time event. It is a never-ending process. Finding marketing possibilities is the first step, followed by developing an effective marketing plan. Once the plan has been redeveloped, the next step is to find marketing opportunities. An organization must regularly monitor these developments because the marketing environment is constantly changing.

2. **Consumer-focused:** The demands and requirements of the customer are the major focus of all marketing strategies. The marketing strategies must be customer-focused with the goal of maximizing client satisfaction. Only when marketing strategies are created with the customer in mind will they be effective.

3. **Textual Record:** Marketing strategies are presented in written form. It should make the marketing goals crystal apparent. The marketing plan's written version can be referred to in the future as you carry out your marketing duties.

4. **Two tiers:** There are two degrees of operation for marketing plans: long term and short term. Short-term level is referred to as tactical level, while long-term level is known as strategic level. The target market and value proposition are both included in the strategic marketing strategy. Product features, promotions, pricing, sales, channels, and other factors are considered in tactical marketing strategy.

5. **Marketing Opportunities:** Analysis of the marketing environment is a component of marketing planning. The market opportunities that the company can seize are identified by the SWOT analysis. Additionally, it examines potential penalties that the company might encounter.

6. **Time frame:** Both long-term and short-term marketing programs are possible. Short-term marketing strategies are those that last up to one year, whilst long-term plans last from one year to five years.

7. **Market circumstances:** Marketing strategies are created by taking into account the current marketing circumstances. The marketing strategy will alter in accordance with how the situations change. The marketers make every effort to incorporate the shifting market conditions into their marketing strategy.

8. **Teamwork:** The support of each team member is essential to the marketing plan's success. Any marketing strategy must involve collaboration in order to be successful. The creation and execution of the marketing plan require the participation of every employee in the organisation.

6.3 MARKETING PLAN CONTENTS

Every marketing strategy must take into account the conditions and demands of the market. When creating the marketing plan, certain common elements must be used. The following elements should always be present in a marketing plan:

1. Situation Analysis:

A SWOT analysis of the market is the fundamental component of a situation analysis. It examines the firm's assets and liabilities as well as potential market risks and threats. Analyses of competitors are also included. A market forecast, segmentation, customer data, and a market-needs analysis will all be part of the market analysis. Performing a scenario analysis also include gathering and examining data on the state of the market, customer demographics, and changes that have an impact on the environment for business and consumers.

2. Marketing Strategy:

At the very least, a strategy should have a mission statement, goals, and a targeted approach that focuses on certain market segments and product positioning. The firm's marketing operations should be clearly outlined in the marketing plan.

3. Sales Forecast:

A detailed sales forecast would allow for tracking sales on a month-by-month basis and subsequent plan-vs-actual comparisons. A plan typically includes more information, such as exact sales by product, location or market segment, channel, manager responsibilities, and other factors. The forecast is the absolute minimum.

4. Target Market:

It is essential to always keep in mind the customers we are trying to sell to in order to achieve the marketing objective. A successful marketing

strategy divides the population into several marketing segments that may be reached with carefully crafted appeals. Despite this, it should also be remembered that maintaining a distinct corporate identity depends on the integration of information across the entire organization.

5. Unique Selling Proposition (USP):

Although the USP is an old idea, it is still relevant today. Determine how the product is unique and how it stands out from the competition in order to sell it in the enormous ocean of similar products. Only once the corporation has identified this distinction and made the market aware of it will its sales efforts be successful. Unfortunately, this is frequently insufficient. Instead, the company may need to pin-point various USPs that appeal to various market segments.

6. Marketing Budget:

Any marketing plan must include a budget. This section will assist you in identifying your precise cash requirements for effective product marketing and advertising. Implementing a marketing strategy is probably done in stages. Therefore, it is important to be clear about the financial requirements for each stage of marketing activity. In accordance with the advertising medium, the firm should also provide a classification of advertising costs. This should contain sufficient information to track spending on a month-by-month basis and to do a plan-vs-actual analysis. Typically, a plan will also include certain programs, management duties, marketing strategies, and sales approaches. The expenditure budget is quite restricted.

7. Marketing Goals and Objectives:

The firm's marketing goals and objectives should be stated in the marketing plan. Setting goals is a necessary step in the creation of all plans. Each company markets its goods and services with a certain set of goals and objectives in mind. While increasing sales is always the ultimate goal of any marketing strategy, there may be other objectives as well. For instance, a company would prefer that its target market sees its goods or services in one particular light over another. The company might want potential customers to view its products as necessities rather than luxury goods. As a result, these goals will be the focus of marketing effort.

8. Marketing Methodology:

The marketing strategy must specify how the business will achieve its marketing goals and objectives. What resources will be employed to achieve these objectives? The process for carrying out marketing operations is clearly laid out in marketing methodology.

9. Segmenting the Market:

A wide range of people make up the market audience. Engagement with the audience depends on segmenting it and sending brand communications, messages, and information.

Each audience segment must have content that is specific to them. Connecting with individuals will be challenging if not. Market segmentation will assist the company in disseminating information, building brand recognition, and increasing sales. The target market for the firm should be stated clearly in the marketing plan. A thorough research of every market segment, as well as consumer profiles from each of these segments, should be accessible if the company intends to offer its products in many market segments. What elements characterize the target market for the company ? Why will the audience find the firm's products appealing ? The market analysis should provide answers to these two crucial questions.

10. Product Specifications:

A strong marketing strategy should include the most thorough product description feasible. Along with the characteristics and advantages of the products the company sells, a list of the drawbacks and solutions to these drawbacks must also be included. The name of the product's manufacturer and any safety precautions that must be observed when utilizing the product should also be mentioned. This component of the marketing plan also needs to include information on packaging, warranties and guarantees that will be offered with the items, information on how to repair broken goods, and information on customer assistance.

11. Pricing Information:

Without sufficient details on the costs associated with goods and services, no marketing strategy is complete. Both the products' price strategy and the reasoning behind it should be discussed. The company must make it obvious why and how the cheap pricing would help them draw in customers. Information about any discounts and rebates your company might give in conjunction with its goods and services can also be included in this area. The marketing plan must include specific information about any annual promotions or discounts the company intends to offer.

12. Integration:

The marketing plan's content must be completely connected with overall business marketing initiatives. An integrated marketing strategy that uses both online and offline content marketing as a catalyst for conversations, sharing, and effective word-of-mouth and brand loyalty may be the best method to surround consumers with branded experiences.

6.4 DEVELOPING MARKETING STRATEGIES AND PLAN

A well-thought-out marketing plan is the foundation of effective marketing. A sound marketing plan lays out the procedures necessary to accomplish these objectives and aids in defining the company's vision, mission, and business goals. Because the marketing strategy has an impact on how the company operates, it should be established and developed with input from the entire team. It is a thorough strategic planning tool that

outlines the company, its offerings, and its market. It describes the place and function of goods and services in the market.

Customers and competitors are profiled, the marketing methods to be employed are determined, and a marketing plan can be built and its efficacy assessed.

A marketing plan, which specifies the precise steps that will be followed to carry out the marketing strategy, differs from a marketing strategy in that it establishes the overarching direction and goals for the entire marketing function. While the marketing plan typically outlines techniques to be implemented in the current year, the marketing strategy may be prepared for the following few years. The process of marketing planning entails both the creation of objectives and guidelines for how they will be achieved.

The steps involved in creating marketing planning are as follows:

1. Internal marketing environment analysis:

Analyzing the current marketing environment for the organization is the first step in marketing planning. The company must now determine the strengths and weaknesses of the company. The SW (strengths and weaknesses) study uses techniques including market share analysis, cost-volume-profit analysis, customer satisfaction index, brand equity index, and others. A product's unique selling proposition (USP) is an example of a strength, but a lack of innovation is an example of a weakness.

2. Analysis of the external marketing environment:

The external market environment is made up of environmental aspects that are political, social, economic, technological, and legal. These variables aid in identifying market-related opportunities and risks. Opportunities and threats are external factors that are out of the organization's direct control. The holiday season can be an opportunity to generate the most sales, however an increase in FDI in a country can pose a threat to domestic players in that country. This OT (opportunities and threats) analysis may take into account political stability, shifting dietary habits, lifestyle changes, liberalization, new legal measures, technological advancements, etc. Demand forecasting, FDI influx, inflation, exchange rate, economic policies, budget, research studies, etc. are some of the strategies used in this.

3. Marketing Assumptions:

A strong marketing strategy is built on a thorough understanding of the target audience. However, as it is impossible to know every detail about each consumer, many assumptions are made. As an illustration, consider the following:

- Assumptions about the target buyers.
- Messaging / Offering Assumptions - Presumptions regarding what buyers believe to be the most crucial aspects of the provided product.

4. Establishing business goals is necessary before developing the marketing plan. such that defining a set of marketing objectives to support them will be simple. Some possible business objectives are:

- Increasing awareness of the company's goods and services.
- increasing sales of a specific supplier's products & expanding into a new market.

5. Specifying marketing goals and objectives:

Following the identification of the business objectives, the company must specify a set of particular marketing goals based on the business objectives. These objectives will serve as the firm's and its team's road map and success indicators. Increased market penetration (selling more existing products to existing clients) and market development are two examples of marketing objectives (selling existing products to new target markets). These marketing objectives may be long-term and may require several years to successfully accomplish. They should, however, have deadlines for completion, be precise and quantifiable.

The company must guarantee that its overall strategies are both achievable and quantifiable. When the strategies have been successful or your marketing objectives have been reached, a strong marketing strategy will be revised rather than altered every year. Additionally, you could need to adjust your strategy if the external market changes as a result of a new competitor or new technology, or if your products undergo a significant change.

6. Project the Expected Results:

Marketing managers must project the anticipated outcomes. They must forecast the target market's future size, composition, and tendencies. Without accurate forecasting, the marketing strategy may have unattainable objectives or fail to deliver on its promises.

- **Forecasting Customer Response:** Marketing managers must predict how the typical customer will react to marketing initiatives. Managers cannot accurately design the promotions without some understanding of how the marketing will be received.
- **Forecasting Marketing Cost:** Accurate forecasting of Marketing Cost is necessary to strengthen the Marketing Plan.
- **Market Forecasting:** To correctly predict the market, marketing managers must develop a thorough grasp of consumers, their purchasing preferences, and behaviors.

Competition forecasting can be used to counteract competitors' actions by understanding how they market, how they market, and what incentives they utilize.

7. Do Market Research:

Designing a marketing plan requires conducting research. The business must gather market data, including market size, growth, social trends, and demography (population statistics such as age, gender and family type). In order for the strategy to remain effective and focused, it is crucial for the company to maintain an eye on the market and be aware of any changes that may occur over time.

8. Identify your Customers:

Identify the needs of your target market and create a profile of your potential clients using the information from your market research. Their buying habits, including where, how, and what they purchase, will be revealed by the profile. Once more, keep an eye on trends to ensure that the company does not miss out on new chances or stop being relevant with its marketing message. The business must ensure that its marketing plan will enable it to maintain ties with its current clients as well as attract new ones.

9. Identify your Competitors:

Identify your competitors' products, supply chains, pricing, and marketing strategies in order to create a profile of your competitors as part of your marketing strategy. This will be useful in determining the firm's competitive edge, or what makes the company stand out from its rivals. The company might also seek to assess the internal processes' strengths and weaknesses in order to boost its performance relative to that of its rivals.

10. Create strategies to support your marketing objectives:

The company should identify its target markets and create a set of tactics to draw and keep them. Increasing young people's awareness of the company's products is one such objective. Then, complementary methods can include increasing the product's online social media presence through regular updates on Twitter and Facebook, advertising in local periodicals geared for young people, and providing student discounts.

11. Using the "5 Ps of Marketing":

The company must use the 5 Ps of marketing to determine the tactical marketing mix. Its marketing strategy is more likely to be effective if it can select the ideal blend of product, price, promotion, place, and people.

12. How the resources are organized:

An efficient marketing strategy requires the coordination of human, financial, and technological resources. The resources required are outlined in this area of the plan, and as a result, the marketing budget.

13. Implementation and Evaluation:

At this point, the marketing team is prepared to begin executing its strategies. This could entail making financial investments in marketing, introducing new goods, communicating with potential customers, opening up additional retail locations, etc.

14. Evaluate the Performance:

The controls that will be used to track progress are outlined in the plan's last section.

Examine the results for each period, perhaps each month or quarter, and decide if the plan was successful in achieving its goals. It can be improved upon if necessary to increase effectiveness.

5 C's of a Marketing Plan

- Who are you serving as a **Customer**?
- Why do you do what you do as a **Company**?
- Who stands in your way as a **Competitor**?
- With whom are you **Collaborating**?
- What are the economic and market **Context** in which you operate?

PESTEL analysis for societal change forecasting:

- Political
- Economic
- Socio-cultural
- Technological
- Ethical
- Legal

6.5 FACTORS AFFECTING PROFITABILITY AND THE REASONS WHY MARKETING PLANS FAIL

a. Marketing plans fail due to:

1. Inadequate data analysis and planning
2. Poor aims communication
3. Ineffective performance monitoring
4. Insufficient allocation of resources
5. Lack of training
6. Modifications in client requirements

b. The crucial elements influencing the company's profitability:

1. Growth in sales or share
2. Effectiveness of new services
3. Customer satisfaction
4. Effectiveness

Performance Dimensions - Profitability

ROA = Profits/Assets

Cash Flow/Assets = CFROA

Return on Sales (ROS) = Profits/Sales

Meeting Margin or Contribution Goals

6.6 SUMMARY

First, we made an effort to comprehend what a marketing plan is. Next, we looked at the components and elements of a marketing plan. The steps in creating a marketing plan were highlighted. Then, we looked at the 10 components of a marketing strategy. The causes of marketing strategy failures were taken into account. The effectiveness of marketing programmes was then measured in many ways.

6.7 QUESTIONS

1. Explain the meaning of marketing plan
2. What are the contents of a marketing plan?
3. What are the steps in developing a marketing plan?
4. Enumerate the 10 elements of a marketing plan
5. What are the different measures of marketing program effectiveness?

6.8 REFERENCES

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7

CHANNEL POLICY

Unit Structure

7.0 Objectives

7.1 Introduction

7.2 Marketing Channels

7.3 Length of Channel

7.4 The Nature and Importance of Marketing Channels

7.5 Channel Dynamics

7.6 Channel Conflict

7.7 Marketing Logistics and Supply Chain Management

7.8 Market Logistics Decisions

7.9 Summary

7.10 Questions

7.11 References

7.0 OBJECTIVES

- To understand Channel Policy
- Designing the length, breadth, and modifying the dimensions of the channel
- Need for control and availability of resources and role in Channel Design
- Channel selection strategy-direct, corporate, contractual systems omni-channels
- Channel conflicts and resolution

7.1 INTRODUCTION

Channel Policy:

The number of intermediaries between the manufacturer and the consumer is known as the "channel length." The distribution channel is determined by the size and financial stability of the company.

- Channel Width: The number of middlemen at a specific distribution channel step

Things to take into account when choosing a channel:

1. Market Consideration

(a) The nature of the market is a crucial aspect of the market. It is taken into consideration whether a product is intended for a consumer or an industrial buyer. If a product is intended for both the consumer and the industrial markets, a long channel will need to be used.

(b) The number of possible clients: If there are many potential clients, there is a need for several intermediaries' services. Direct selling is suggested when there are few potential clients.

(c) Geographic concentration of the market: Direct selling works best when its clients are largely based in a small number of locations. If they are dispersed throughout the entire nation, a sizable workforce of middlemen will be required.

(d) Order size: Direct selling is appropriate if sales volume is high. Industrial distributors offer operating supplies for industry.

(e) Customer purchasing patterns: This has a significant impact on channel policy. Indirect selling is appropriate when consumer buying behaviour and patterns are regular and modest in scale.

2. Product Consideration:

a. Unit selling value of the product: Direct marketing is more effective when a product's unit value is high. On the other hand, the direct channel is less effective when the unit value is low. If the product is inexpensive, bigger and less expensive channels are preferable. The products may be employed in quick and expensive channels if they have great value.

b. Weight and Bulk: To reduce the freight, heavy or bulky items might be shipped by truck or train.

c. Perishable Nature: Perishable goods like milk, dairy products, bread, meat, etc. are conveyed via shorter or direct channels, whereas non-perishable goods are sent via long channels.

d. Technicality: As the product is technological, services are needed, so that sales and service personnel are required to instruct consumers on how to use the product. Direct channel is preferable for goods like computers, office equipment, and so on.

e. Seasonal: Product sales, such as those of woollen clothing, are subject to seasonal change. Therefore, the necessity for intermediaries to market these seasonal goods. Direct selling does not work.

3. Company Consideration

a. **Financial soundness:** Businesses that are financially stable are in a better position to choose and create their distribution channel. Direct route is therefore used. Conversely, financially precarious businesses must use an indirect channel because they rely on middlemen.

b. **Reputation:** It has been believed that word-of-mouth spreads more quickly. Many businesses enjoy a positive reputation as a result of clients' preference for their products. Numerous intermediaries are ready to connect with these businesses.

c. **Market control:** Direct channels are recommended when a company wants to exert control over the price, the manner clients are served, etc.

4. Consideration of middlemen:

The middleman who can provide a good storage facility may be taken into consideration. The sales channel that facilitates the most sales should be chosen. Each attractive channel's price can be evaluated based on unit sales. The best channel type with the lowest marketing unit cost may be taken into consideration.

5. Consideration of the client:

The selection of the channel is influenced by the characteristics of the purchasers, such as their numbers, locations, purchasing patterns, quantities purchased, etc. Geographically dispersed customers may benefit from a long channel. Customers might like to have the product in a handy location; for instance, they might prefer to have everyday necessities like milk, paper, bread, etc. near the front door. The distribution channel used must make it possible for the manufactured goods to reach consumers on time.

Channel Structure:

Channel structures come in two types:

- Industrial channel structure
- Channel structures for consumers

Designing a distribution system involves the following general steps: defining the distribution objective, defining customer requirements, and evaluating competitor strategies.

Types of Channels:

1. Manufacturer - Consumer

This is the direct channel. Consumers receive products directly from manufacturers. The shortest and most straightforward channel. The makers of perishable items and trendy products who wish to sell their wares before the trend goes out of style use this channel.

When new products are released into the market, they are placed close to the clients to encourage aggressive sales, etc.

The producers' chosen techniques for direct selling include installing a sales counter at the manufacturing facility, door-to-door sales, sales by mail order, sales by opening their own stores, and sales through mechanical devices.

2. Manufacturer - Retailer - Consumer

An intermediary retailer is present in the channel. Through these retailers, a manufacturer offers products for sale to customers. Between manufacturers and consumers, there is a chasm. When there are many buyers and the product needs to be sent quickly, this strategy is used. In this channel, manufacturers perform a wholesaler's duties while wholesalers are disregarded.

In general, retailers are directly offered vehicle appliances, apparel, and shoes. This channel is used by Bata India Limited.

3. Producer - Wholesaler - Retailer - Consumer

The two different categories of intermediaries in this route are wholesalers and retailers. Through these middlemen, a producer distributes his goods to customers. These intermediaries expand the gulf between the producers and the buyers.

4. Manufacturer- Agent Middlemen- Wholesaler- Retailer- Customer

The three different categories of intermediaries in this route are wholesalers, retailers, and agent middlemen. There is a very wide distance between the producer and the customer. For the purpose of distribution, the manufacturer through this channel employs agent intermediaries. The agent supplies the products to wholesalers, who then sell them to retailers, who then supply the products to customers.

Channel Conflict:

Channel Conflicts fall under three categories:

a. Vertical level conflicts: When a member of one level disagrees with a member of a higher or lower level

b. Conflicts at the same level, or on a horizontal level

c. Conflicts at multiple levels, including those brought on by middlemen, at all of the aforementioned levels.

Channel Conflict Management:

Setting overarching goals, Dealer Committees, Communication, Arbitration, and Mediation Motivating channel users through financial and non-financial incentives.

7.2 MARKETING CHANNELS

These are sets of independent organizations participating in the process of making a product or service available for use or consumption

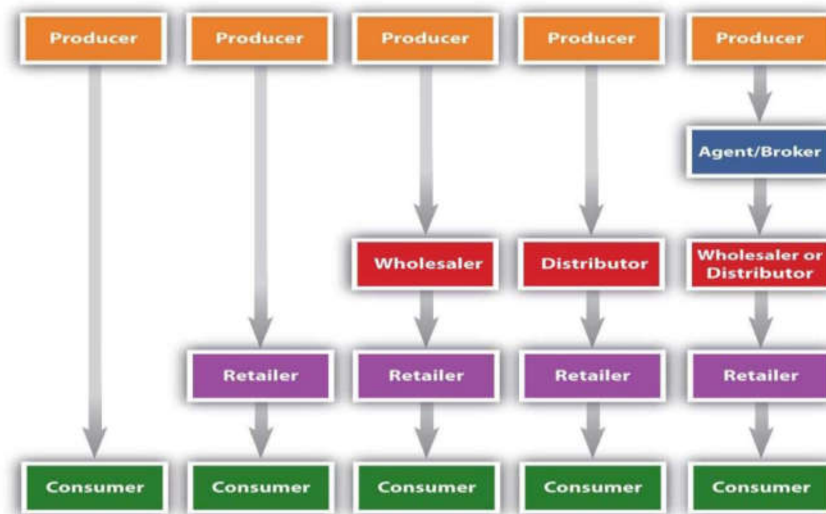

Fig. 7.1: Marketing Channels

Value Delivery Network and Supply Chains:

The "make and sell" perspective of the supply chain takes into account the company's resources, inputs, and manufacturing capabilities.

According to the "sense and respond" demand chain theory, planning should begin with the demands of the target customer, and the company should then respond by setting up a chain of resources and activities with the aim of adding value for the client.

Marketing channels create the market rather than merely serving it.

Push Strategy:

- Uses promotion tools, sales force to sell.
- Used when there is little brand loyalty.

Pull Strategy:

- Utilizes advertising and other methods to generate demand.
- Used when there is a strong brand loyalty.

Channel Integration

None of the channels should impede the operations of the others; instead, they must all cooperate.

The value delivery network is made up of the company's suppliers, distributors, and finally customers who collaborate to raise system performance.

Value Networks:

A firm creates a value network as a system of alliances and partnerships to source, augment, and deliver its offerings.

Indirect channels are use when market is widely dispersed, Low transaction amount, bulk purchase in one transaction

The marketing channel has three dimensions:

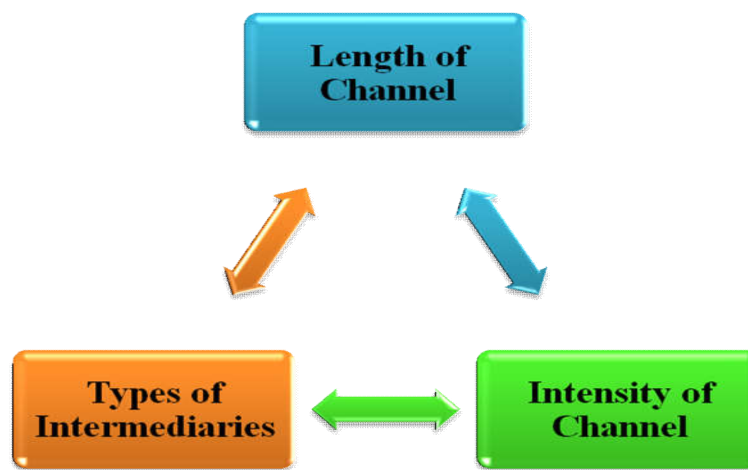

Fig. 7.2: Dimensions of Marketing Channel

7.3 LENGTH OF CHANNEL

Increase your chances of reaching more of your target market by maximizing distribution.

For instance, Toyota would only be able to sell its automobiles from its manufacturing facilities absent dealerships. This would significantly reduce their ability to reach the customer.

Cost minimization: You can reduce costs more by shortening the channel.

Maintaining control: You have less control over your product the longer your marketing channel.

For instance, Subway would have little influence over how their product was presented if they created sandwiches and sold them to a wholesaler who then sold them to a store. Instead, they prepare it freshly in front of the customer, giving them total control over the experience.

When you take the length of your distribution route into account, there is a trade-off between increasing distribution, reducing expenses, and maintaining control.

Channel Design Dimensions

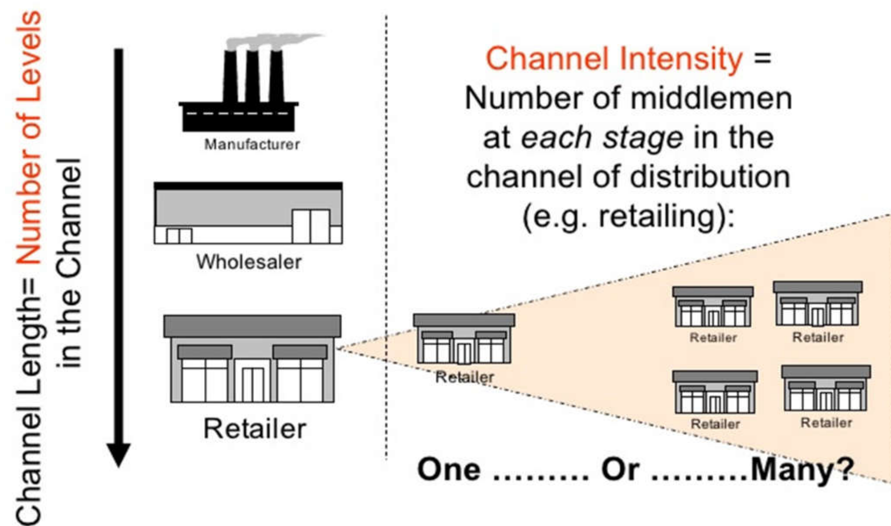

Fig. 7.3: Channel Design Dimensions

Key Functions performed in Marketing Channels

1. Marketing Communications:

Using P-O-P Displays to Promote the Product Supplying a sales force that serves as a resource for customers

2. Inventory Control:

Ordering the right selection of goods

Keeping enough stock on hand to satisfy client demand

Keeping goods in a facility that's suitable

3. Physical Distribution:

Delivering goods

Co-ordinating delivery times to satisfy customer demands

Co-ordinating the return of damaged goods

4. Market Feedback:

Serving on advisory boards for manufacturers

Letting other channel participants know about competing activity

Taking part in evaluations of test markets

5. Taking care of monetary risk:

Minimizing the risk of product loss or degradation

Controlling liability and product safety hazards

How Channel Members Add Value

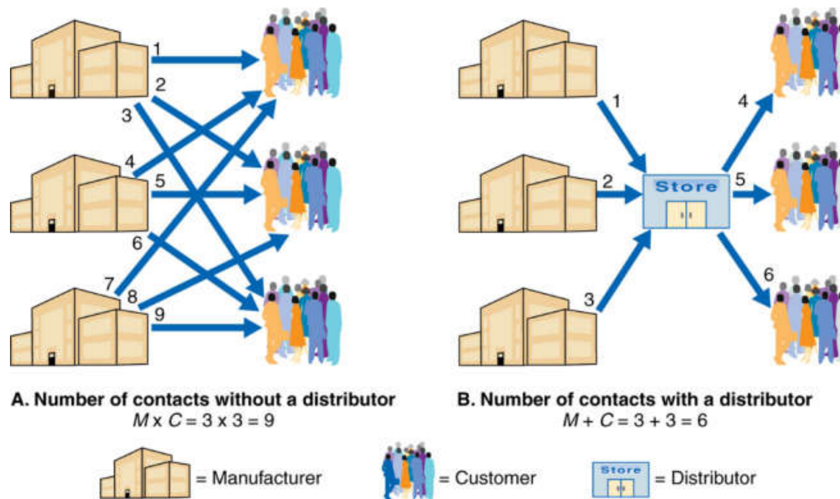

Fig. 7.4: How Channel Members Add Value

7.4 THE NATURE AND IMPORTANCE OF MARKETING CHANNELS

Members of the channel have the following duties:

1. Analyzing Customer Needs

Lot size, waiting and delivery times, spatial convenience, product variety, and service backup are only a few examples.

2. Define Goals and Limitations

1. Product accessibility

2. Fulfilling Customer Service Needs

3. Support for Promotional Activities

4. Market Data

5. Cost-Effectiveness

6. Adaptability

Channel goals change depending on the features of the product.

Environmental aspects including the channels of competitors, the state of the economy, and judicial and other restraints and regulations also have an impact on channel design.

In addition to the target market, the following factors affect the company's channel objectives:

Due to the nature of its goods, such as perishable goods, more direct marketing is necessary to prevent delays and excessive handling.

Which functions, how many channels, and modes of transportation a corporation can utilise depend on its features, such as its size and financial standing.

The capacities of intermediaries to handle marketing, client contact, storage, and credit vary; for instance, the company's own sales team is more aggressive in selling.

Competitors' channels: Some businesses may prefer to compete in or close to the same outlets that sell their rivals' products, while others may not, as in the case of Burger King wanting to be close to McDonald's. Environmental factors, the state of the economy, and legal restrictions also have an impact on channel design decisions. For example, in a struggling economy, producers may choose to use shorter channels to distribute their products.

3. Identify and Evaluate Major Channel Alternatives:

Economic Criteria:

Finding out which will generate more sales - a business sales force or a sales agency - is the first step.

The cost estimates for selling various volumes through each channel come next.

Comparison of sales and costs is the last step.

Sales and prices will vary depending on the channel.

Control Criteria:

The agents can be preoccupied with the products of other clients or they might be unqualified to handle our merchandise.

Adaptive Criteria:

The channel participants are required to commit to one another in some way for a predetermined amount of time.

Channel Management Decisions:

a. Selecting Channel Members:

Identify characteristics that distinguish the best channel members

b. Training Channel Members

c. Motivating Channel Members:

Coercive power: If intermediaries don't collaborate, the manufacturer threatens to withdraw a resource or end a relationship.

Reward power: Manufacturers give intermediaries additional rewards in exchange for carrying out particular tasks.

Legitimate power: It exists when the manufacturer makes a request that the contract supports.

Expert power: The manufacturer possesses unique knowledge that the middlemen value.

Referent power: The manufacturers are proud to be associated with the intermediaries.

Producers may employ: Powers of coercion, persuasion, legitimacy, knowledge, and referral

7.5 CHANNEL DYNAMICS

Vertical Marketing Systems (VMS)

Conventional Marketing Channel

Corporate VMS: It unites many production and distribution stages under a single ownership.

Administered VMS: Using the size and influence of one member, administered VMS coordinates the many production and distribution stages.

Contractual VMS: A contractual VMS consists of independent businesses integrating their programs on a contractual basis to achieve more economies of scale or sales impact than they could do on their own.

1. Voluntary chains sponsored by wholesalers bring together teams of independent merchants to more effectively compete with big chains through uniform selling techniques and purchasing economies.

2. Stores that decide to create a new company to continue wholesaling and potentially some production give rise to retailer cooperatives. Retail cooperative members focus their purchases through the cooperative, collaborate on advertising plans, and split revenues according to their purchases.

3. Organizations that are franchised when a franchisor connects multiple subsequent production-distribution stages.

Manufacturer-sponsored retailer franchise E.g. Honda and its dealers

Manufacturer-sponsored wholesaler franchise E.g. Coca-Cola and its bottlers

Service-firm-sponsored retailer franchise E.g. Ramada Inn and its motel franchisees

The New Competition in Retailing

Horizontal Marketing Systems:

To take advantage of a new marketing opportunity, two or more unconnected organizations may pool their resources or implement joint initiatives.

Multi-channel Marketing Systems:

To reach one or more consumer categories, a single company may employ two or more marketing channels. Companies can profit from improved market coverage, decreased channel costs, and more individualized selling by implementing more channels.

7.6 CHANNEL CONFLICT

Types of Conflict and Competition:

Vertical channel conflict: General Motors came into conflict with its dealers in trying to enforce policies on service, pricing, and advertising.

Horizontal channel conflict

Multi-channel conflict

Causes of Channel Conflict:

Goal incompatibility

Unclear roles and rights

Differences in perception

Managing Channel Conflict:

1. Adoption of super-ordinate objectives, with channel participants agreeing on the core objective they share, such as survival, market share, excellent quality, or customer pleasure. When the channel is threatened from outside forces like a more effective rival channel, unfavorable legislation, or a change in customer preferences, members typically reach an agreement.

2. Incorporating leaders from rival organizations into advisory councils, boards of directors, and other similar structures is referred to as co-optation. Co-optation can lessen conflict as long as the originating organization takes the leaders and their ideas seriously.

3. The disagreement is resolved through diplomacy when each party sends a representative to meet with the other side.

4. Using mediation, the interests of the two sides are reconciled by a knowledgeable, impartial third party.

5. When the parties agree to submit their arguments to an arbitrator and accept the arbitrator's verdict, arbitration takes place.

7.7 MARKETING LOGISTICS AND SUPPLY CHAIN MANAGEMENT

Why logistics is receiving more attention:

Gives businesses a competitive edge

It may result in cost reductions

An increase in product variety necessitates better logistics

Thanks to information technology, distribution efficiency could be increased.

The Logistics System's objectives:

No system can optimize customer service while reducing expenses.

The advantages of better service must be weighed against the costs by businesses initially.

Set objectives for a specific level of customer service at lowest cost

Marketing Logistics: Definition and Importance:

Supply chain management is the process of controlling the upstream and downstream value-added movements of raw materials, finished items, and related information among suppliers, the company, resellers, and end users.

Important Logistics Activities:

Warehousing

Inventory control

Logistics Information management

Transportation

Transportation has an impact on product cost, delivery efficiency, and the state of the items upon arrival.

Logistics information Management is the management of the flow of information, such as client orders, billing, inventory levels, and customer data, is known as information management.

EDI (electronic data interchange) VMI (vendor-managed inventory)

Integrated logistics management is the recognition that providing customer service and trimming distribution costs requires teamwork internally and externally.

Third-Party Logistics is the outsourcing of logistics functions to Third-Party Logistics providers (3PLs)

Types of Retailers

1. Department Store:

This sort of retailer can appear as a collection of smaller retail stores run by one company, but it is frequently the most complex and offers a large selection of products. The department store merchants provide goods at various price points. This kind of retailer enhances customer service by facilitating the purchase of a wide range of products from a single shop.

2. Supermarkets:

Typically, this category of business focuses on providing a selection of food and drink items. However, many now supply goods from the markets for home, fashion, and electrical goods as well. Due of their large purchasing power, supermarkets frequently sell products at inexpensive costs.

3. Warehouse Retailers:

This category of retailer is typically found in commercial or retail parks, where space rents are less expensive. This makes it possible for this kind of shop to stock, present, and sell a wide range of goods at extremely affordable costs.

4. Specialty Retailers:

By focusing on particular markets or goods, these merchants may provide their clients with in-depth information and top-notch support. By providing accessories and extra relevant products at the same location, they also provide value. A typical specialty store concentrates on a single category and offers high-quality customer service.

5. E-tailer:

This category of retailer enables clients to order things online and have them delivered. This kind of store can provide a larger geographic consumer base and is very practical. E-tailers frequently have reduced rent and overhead costs, allowing them to provide very competitive rates.

6. Convenience Shop:

Typically found in residential areas, this sort of retailer offers a constrained selection of goods at higher rates due to the convenience factor. They are primarily seen in populated areas. They offer a small selection of items at higher than usual costs, along with quick checkout. Given that it frequently operates with extended hours and stocks every day, this store is excellent for last-minute and emergency purchases.

7. Discount Shop:

This category of retailer provides a range of products at reduced prices. By reselling end of line and returned goods at reduced costs, they provide inexpensive pricing on less trendy brand products from a variety of providers. These shops typically provide a wide range of goods and services, but they mostly compete on pricing by providing a vast selection of goods at reasonable and low costs. Retailers typically carry fewer trendy brands.

8. Boutiques or concept stores:

These establishments resemble specialty shops. Concept stores are typically quite small and carry just one brand. The company that owns them manages them.

9. Hypermarkets:

They offer a wide selection and tonnes of special goods with slim profit margins. Operating expenses are relatively low.

10. Malls:

They have a variety of retail stores in a single location. Under one roof, they provide goods, food, and entertainment.

11. Vending Machines:

This is a piece of automated equipment that clients use to insert money and purchase goods.

12. Street Stalls:

These are businesses with very little space because they are typically built on any open ground along a busy street; they are typically long-term structures. They are owned by small partnership companies or independent retailers.

13. Stalls in Markets or Bazaars:

These are tiny stores located in markets that have been especially built, such the Crawford Market in Mumbai or the New Market in Kolkata. There is hardly much room. The fact that potential customers are always walking by is a significant benefit of such a stall. These stalls can be transient, as with weekly markets in rural areas, or they might be permanent. These companies typically controlled by partnerships or individual proprietors.

14. Second-hand Dealers:

These often deal in the sale of books, clothing, furniture, automobiles, and other items. They are quite successful because they meet the demands of the majority of consumers who cannot afford to purchase brand-new goods. Owners of these are lone proprietors or partnership businesses.

15. Hawkers and Peddlers:

They travel from one locality to another with a relatively small inventory that they purchase from wholesalers or neighborhood shops. Usually, you can find them on busy street corners. They typically offer products that are of lower quality and at alluring prices.

16. Co-operative Retail Stores:

Just as chain stores and department stores were established in order to reduce the middleman's profit, people have opened their own stores in an effort to do the same. In order to provide goods and services to its members at a reasonable cost through its store, a co-operative organization is created in which members spend their cash.

17. Mail-Order Business:

These are companies that operate through the mail, expanding the scope of their activities by operating in a larger region. The biggest issue with mail order businesses in India is the variety of languages spoken throughout the nation, which makes it challenging for these businesses to expand beyond a small local area. They could therefore need to focus on the major cities while operating in English because doing business in various languages in various locations might be costly.

In order to fulfil certain needs, such as those of customers or businesses, logistics is the management of the movement of resources between the point of origin and the site of consumption.

Physical resources like food, materials, equipment, liquids, and personnel can be managed alongside abstract resources like time, information, particles, and energy in logistics. The integration of information flow, material handling, production, packaging, inventory, shipping, warehousing, and frequently security is typically required for the logistics of physical goods. Dedicated simulation software can model, evaluate, visualize, and optimize the complexity of logistics. In logistics for import and export, minimizing the utilization of resources is a typical driving force.

The science of planning, executing, and maintaining force mobility and maintenance is known as logistics. In the broadest sense, those components of operations that deal with: a) the design and development, acquisition, storage, movement, distribution, maintenance, evacuation, and disposition of materiel; b) the movement, evacuation, and hospitalization of personnel; c) the acquisition or construction, maintenance, operation, and disposal of facilities; and d) the acquisition or provision of services.

7.8 MARKET LOGISTICS DECISIONS

In order to meet consumer needs and still turn a profit, marketing logistics entails organizing, delivering, and controlling the flow of tangible products, promotional materials, and information from a manufacturer to a market. Understanding and putting into practice a successful marketing logistics plan about product, pricing, site, and promotion are necessary to maintain an organization's competitive edge. These four marketing logistics tasks assist the company in reaching its target market and providing the goods or services it is selling to these clients. The following are significant logistics decisions to be made:

1. Order Processing:

The majority of businesses aim to reduce the time that passes between receiving, delivering, and paying for an order. The longer this cycle lasts, the less satisfied the customers are, and the less money the company makes. An order processing system gathers order information from customer service representatives or directly from customers, maintains the information in a central database, and, if necessary, distributes order details to the accounting and shipping departments.

2. Warehousing:

Since the cycles of production and consumption are rarely synchronised, every business must keep produced goods until they are sold. Goods can be delivered to clients more rapidly with more stocking sites, but warehousing and inventory costs increase. The business may consolidate inventory and use quick shipping to meet orders to cut down on these costs. From the beginning of the Industrial Revolution through the 19th century and into the 20th century, warehouses were a significant component of the urban landscape; the structures persisted even after their primary purpose had changed.

3. Inventory:

Salespeople want their businesses to have enough inventory on hand to immediately meet all customer orders. This, however, is not economical. As the customer service level gets closer to 100%, the cost of inventory rises quickly. Before making a choice, management must ascertain how much sales and earnings would rise as a result of maintaining larger stocks and guaranteeing quicker order fulfilment times. The process of effectively managing the continuous flow of items into and out of an existing inventory is known as inventory management.

4. Transportation:

The mode of transportation chosen has an impact on the cost of the product, the performance of on-time deliveries, and the state of the items upon arrival, all of which have an impact on customer satisfaction. Thanks to containerization, shippers are increasingly combining two or more modes of transportation and putting goods in boxes or trailers that are simple to switch between them.

7.9 SUMMARY

First, we tried to comprehend the numerous facets of channel policy. After that, we tried to comprehend designing the channel's length, breadth, and dimensions of the channel. Additionally, it is demonstrated how to evaluate the necessity of control, resource availability, and role in channel design. Next, we looked at a channel selection approach that included direct, corporate, and contractual systems as well as Omni-channels. Finally, we made an effort to comprehend Channel conflicts and their resolution.

7.10 QUESTIONS

1. What do you mean by Channel Policy?
2. Explain the meaning of length and breadth of channel.
3. What factors affect Channel selection strategy?
4. What do you mean by Channel conflicts and resolution of these conflicts?

7.11 REFERENCES

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