SYLLABUS

B.B.A. III SEM

Subject – Marketing Management

UNIT – I	Marketing: - Meaning - concept - functions - marketing Planning & implementation marketing Programmes - Marketing environment – Micro and Macro.
UNIT – II	Market Segmentation and consumer behaviour – Influencing factors, Decision process - Marketing Research - Marketing information system
UNIT – III	Product :- Meaning - Product planning - policies - positioning - New product
UNIT – IV	Pricing:- Pricing objectives – Setting and modifying the price – Initiating price changes and responding to price changes
UNIT – V	Promotion: Promotion Mix - Advertisement - Message - copy writing - Media strategy -sales promotion - Personal selling and publicity.
UNIT – VI	Physical Distribution and Strategies:- Distribution Mix - Managing channel - intermediaries - transport and warehousing -

UNIT 1
MARKETING ENVIRONMENT

Introduction:
A variety of environmental forces influence a company's marketing system. Some of them are controllable while some others are uncontrollable. It is the responsibility of the marketing manager to change the company's policies along with the changing environment.

According to **Philip Kotler**, "A company's marketing environment consists of the internal factors & forces, which affect the company's ability to develop & maintain successful transactions & relationships with the company's target customers".

The Environmental Factors may be classified as:
1. Internal Factor
2. External Factor

External Factors may be further classified into:
External Micro Factors & External Macro Factors

Company's Internal Environmental Factors:
A Company's marketing system is influenced by its capabilities regarding production, financial & other factors. Hence, the marketing management/manager must take into consideration these departments before finalizing marketing decisions. The Research & Development Department, the Personnel Department, the Accounting Department also have an impact on the Marketing Department. It is the responsibility of a manager to company-ordinate all department by setting up unified objectives.

External Micro Factors:
1. **Suppliers:** They are the people who provide necessary resources needed to produce goods & services. Policies of the suppliers have a significant influence over the marketing manager's decisions because, it is laborers, etc. A company must build cordial & long-term relationship with suppliers.
2. **Marketing Intermediaries:** They are the people who assist the flow of products from the producers to the consumers; they include wholesalers, retailers, agents, etc. These people create place & time utility. A company must select an effective chain of middlemen, so as to make the goods reach the market in time. The middlemen give necessary information to the manufacturers about the market. If a company does not satisfy the middlemen, they neglect its products & may push the competitor's product.
3. **Consumers:** The main aim of production is to meet the demands of the consumers. Hence, the consumers are the center point of all marketing activities. If they are not taken into consideration, before taking the decisions, the company is bound to fail in achieving its objectives. A company's marketing strategy is influenced by its target consumer. Eg: If a manufacturer wants to sell to the wholesaler, he may directly sell to them, if he wants to sell to another manufacturer, he may sell through his agent or if he wants to sell to ultimate consumer he may sell through wholesalers or retailers. Hence each type of consumer has a unique feature, which influences a company's marketing decision.
4. **Competitors:** A prudent marketing manager has to be in constant touch regarding the information relating to the competitor's strategies. He has to identify his competitor's strategies, build his plans to overtake them in the market to attract competitor's consumers towards his products.
   Any company faces three types of competition:
   a) **Brand Competition:** It is a competition between various companies producing similar products. Eg: The competition between BPL & Videcon companies.

b) **The Product Form Competition:** It is a competition between companies manufacturing products, which are substitutes to each other Eg: Competition between coffee & Tea.

c) **The Desire Competition:** It is the competition with all other companies to attract consumers towards the company. Eg: The competition between the manufacturers of TV sets & all other companies manufacturing various products like automobiles, washing machines, etc.

Hence, to understand the competitive situation, a company must understand the nature of market & the nature of customers. Nature of the market may be as follows:

I. Perfect Market
II. Oligopoly
III. Monopoly
IV. Monopolistic Market
V. Duopoly

5. **Public:** A Company's obligation is not only to meet the requirements of its customers, but also to satisfy the various groups. A public is defined as "any group that has an actual or potential ability to achieve its objectives". The significance of the influence of the public on the company can be understood by the fact that almost all companies maintain a public relation department. A positive interaction with the public increase its goodwill irrespective of the nature of the public. A company has to maintain cordial relation with all groups, public may or may not be interested in the company, but the company must be interested in the views of the public.

Public may be various types. They are:

a. **Press:** This is one of the most important group, which may make or break a company. It includes journalists, radio, television, etc. Press people are often referred to as unwelcome public. A marketing manager must always strive to get a positive coverage from the press people.

b. **Financial Public:** These are the institutions, which supply money to the company. Eg: Banks, insurance companies, stock exchange, etc. A company cannot work without the assistance of these institutions. It has to give necessary information to these public whenever demanded to ensure that timely finance is supplied.

c. **Government:** Politicians often interfere in the business for the welfare of the society & for other reasons. A prudent manager has to maintain good relation with all politicians irrespective of their party affiliations. If any law is to be passed, which is against the interest of the company, he may get their support to stop that law from being passed in the parliament or legislature.

d. **General Public:** This includes organisations such as consumer councils, environmentalists, etc. as the present day concept of marketing deals with social welfare, a company must satisfy these groups to be successful.

External Macro Environment:

These are the factors/forces on which the company has no control. Hence, it has to frame its policies within the limits set by these forces:

1. **Demography:** It is defined as the statistical study of the human population & its distribution. This is one of the most influencing factors because it deals with the people who form the market. A company should study the population, its distribution, age composition, etc before deciding the marketing strategies. Each group of population behaves differently depending upon various factors such as age, status, etc. if these factors are considered, a company can produce only those products which suits the requirement of the consumers. In this regard, it is said that "to understand the market you must understand its demography".

2. **Economic Environment:** A company can successfully sell its products only when people have enough money to spend. The economic environment affects a consumer's purchasing behavior either by increasing his disposable income or by reducing it. Eg: During the time of inflation, the value of money comes down. Hence, it is difficult for them to purchase more products. Income of the consumer must also be taken into account. Eg: In a market where both husband & wife work, their purchasing power will be more. Hence, companies may sell their products quite easily.

3. **Physical Environment or Natural Forces:** A company has to adopt its policies within the limits set by nature. A man can improve the nature but cannot find an alternative for it.
   Nature offers resources, but in a limited manner. A product manager utilizes it efficiently. Companies must find the best combination of production for the sake of efficient utilization of the available resources. Otherwise, they may face acute shortage of resources. Eg: Petroleum products, power, water, etc.
4. **Technological Factors:** From customer's point of view, improvement in technology means improvement in the standard of living. In this regard, it is said that "Technologies shape a Person's Life".
   Every new invention builds a new market & a new group of customers. A new technology improves our lifestyle & at the same time creates many problems. Eg: Invention of various consumer comforts like washing machines, mixers, etc have resulted in improving our lifestyle but it has created severe problems like power shortage.
   Eg: Introduction to automobiles has improved transportation but it has resulted in the problems like air & noise pollution, increased accidents, etc. In simple words, following are the impacts of technological factors on the market:
   a) They create new wants
   b) They create new industries
   c) They may destroy old industries
   d) They may increase the cost of Research & Development.
5. **Social & Cultural Factors:** Most of us purchase because of the influence of social & cultural factors. The lifestyle, values, believes, etc are determined among other things by the society in which we live. Each society has its own culture. Culture is a combination of various factors which are transferred from older generations & which are acquired. Our behaviour is guided by our culture, family, educational institutions, languages, etc.
   The society is a combination of various groups with different cultures & subcultures. Each society has its own behavior. A marketing manager must study the society in which he operates.
   Consumer's attitude is also affected by their society within a society, there will be various small groups, each having its own culture.
   Eg: In India, we have different cultural groups such as Assamese, Punjabis, Kashmiris, etc. The marketing manager should take note of these differences before finalizing the marketing strategies.
   Culture changes over a period of time. He must try to anticipate the changes new marketing opportunities.

INDIAN MARKET & ITS ENVIRONMENT

It is difficult to analyze the environmental factors affecting Indian market. Ours is a vast country with various religions, caste, sub-caste, languages, culture, etc. Each of these factors operates at different levels & art different places.

1. **Vast Market:** The Indian market is the second largest in the world considering its population. If consumption is considered, it has one of the lowest levels of consumption. Hence, it can be said that majority of the market for various products has been left untapped. Region-wise, the Indian Market can be broadly classified into Four Parts:
   a. Northern Market
   b. Southern Market
   c. Western Market
   d. Eastern Market
2. **Rural Market:** Majority of the Indians live in rural areas. Hence, rural markets have a significant influence on the company's marketing strategy
3. **Cultural & Religion:** India is a country with many religions each religion has its own culture & most of the Indians are religious. The culture affects the habits of people. Hence, it has to be considered before deciding what is to be sold.

Eg: Jainism completely prohibits the consumptions of meat. Hence, it is difficult to sell meat where Jains are living

4. **Economic Conditions:** India is one of the fastest developing countries. The standard of living is increasing every year. This indicates that the marketing opportunities in our country are vast.
5. **Government:** We are following the policy of mixed Economy i.e., Market is neither totally free (Capitalism) nor it is fully controlled (Socialism). The government encourages consumerism & hence he marketers are gradually accepting the marketing concept.
6. **Intermediaries:** Our country has two types of distribution system. They are:
   a. Public distribution system, where essential commodities are directly sold to the consumers through government agencies.
   b. Open distribution system, where the products are sold in the open market. The open distribution system in our country is the traditional one. The chain of distribution is once of the most efficient chains of the world. Wholesalers, retailers, brokers, etc are the intermediaries operating in our country.
7. Press: Press in our country is not as sophisticated as in the developed countries. Most of the newspapers & magazines are controlled by big business houses.
8. Technology: Most of the company/companies in our country import the technology from other countries. Investment in research is one of the lowest in the world.

Rural Marketing Challenges & Opportunities:

Majority of Indians live in villages & most of them are farmers. Rural markets in our country are changing rapidly. Many companies have not tried to find out the needs of rural consumers. Hence, many rural markets have been left untapped.

Problems of Rural Marketing:

About 80% of villages do not have proper infrastructural facilities like transportation, communication, etc. People in the rural market purchase in small quantities; usually, they behave as group. Hence, it is difficult to influence their behavior to deliver a product directly to the rural consumers; a company has to incur double the cost of what it incurs in case of urban consumers.

Illiteracy among villagers makes it difficult to promote products. Most of them purchase because of their belief.

The heart of your business success lies in its **marketing**. Most aspects of your business depend on successful **marketing**. The overall **marketing** umbrella covers advertising, public relations, promotions and sales. **Marketing** is a process by which a product or service is introduced and promoted to potential customers.

There are five alternative concepts under which organizations design and carry out their marketing strategies.

- 5 Marketing Concepts. Production Concept, ...
- Production Concept. ...
- Product Concept. ...
- Selling Concept. ...
- Marketing Concept. ...
- Difference between Selling Concept and Marketing Concept. ...
- Societal Marketing Concept.

Management is the processes of **planning**, **organizing directing** motivating and coordinating and **controlling** of **various** activities of a firm. Marketing is the process of **satisfying** the needs and wants of the consumers. Management of marketing activities is Marketing Management.
Typical **marketing function** types within a larger business might include performing**market** research, producing a **marketing** plan, and product development, as well as strategically overseeing advertising, promotion, distribution for sale, customer service and public relation
Four competing philosophies strongly **influence** the **role** of marketing and marketing activities within an organization. These philosophies are commonly referred to as production, sales, marketing, and **societal marketing orientations**.
The **marketing concept** is the philosophy that firms should analyze the needs of their customers and then make decisions to satisfy those needs, better than the competition. Today most firms have adopted the **marketing concept**, but this has not always been the case.
The **core concept** of **Marketing-Marketing** is a social & managerial process by which individuals & groups obtained what they need & want through creating, offering & Human Needs. It is a state of felt deprivation of some basic satisfaction. exchanging products of value with others. ...
here are **eight functions** are essential to the **marketing** of all goods and they are: buying, selling, transporting, storing, grading, financing, risk taking, and securing**market** information

But what you might not know is that there are actually seven functions of marketing that span everything from distribution to pricing.

- Distribution. ...
- Financing. ...
- Market Research. ...
- Pricing. ...
- Product and Service Management. ...
- Promotion. ...
- Selling.

he **Selling Concept**. This is another common business orientation. It holds that consumers and businesses, if left alone, will ordinarily not buy enough of the **selling** company's products. The organization must, therefore, undertake an aggressive **selling** and promotion effort.

What is planning in marketing? 3/20/2016 11:38:00 AM
Why do planning:

- To ensure survival
- To compete effectively and efficiently
- To motivate employees

Strategic planning:
•Process of developing and maintaining a strategic fit between the organization's goals and changing marketing opportunities.

Steps in strategic planning:
•Defining the company mission
•Setting company objectives & goals
•Designing the business portfolio

Evolution of strategic planning:
•Budget based planning
•Long range planning – Trends, budgeting process, marketing
•Strategic planning – centralized resource allocation

Elements of the planning process:
•Diagnosis – Where does the organization stand?
•Forecast – Where is the organization headed?
•Objectives – Where should the organization go?
•Strategy – How should the organization get there?
•Tactics – what means should be used by the organization?
•Feedback – How the organization measure its progress?

Marketing planning sequence:
•Update historical data
•Collect current situation data
•Data analysis
•Develop objectives
•Develop financial documents
•Negotiate final plan
•Audit

Characteristics of an effective marketing plan:
•Strong top management support
•Compiled by staff
•Thoroughly researched
•Visionary
•Specific

Definition of a marketing plan:
•It is a written document containing the guidelines for the Business Centre's marketing programs and allocations.
•Should include these:
  o Business definition
  o Scope o Industry analysis o Customer analysis o Competitor analysis
  o Internal analysis
  o SWOT
  o Objectives o Targeting & Positioning
  o Strategies
  o Tactics
  o Budget

o Contingency

Situational variables:
•Customers
•Competition
•Context (Industry)
•Company

Marketing Variables: (Marketing Mix)
•Product •Price •Promotion •Place •People •Physical evidence •Process

Situation Analysis
•Industry – Size, growth, industry structure, channels
o Macro environmental factors o Critical success factors
•Customer
o 6Ws, who are they? how do they behave? o What do they want? How do they respond?
•Competitor
o Who are they? o What do they do that impacts our relationship with customers?
Internal
•How are we performing?
o What do we do well? o What do we do badly? o What skills do we have? o What resources do we have?
o Marketing mix
SWOT & TOWS:
•SWOT summarizes information from the analysis.
•TOWS used information from the SWOT to identify issues and inform strategy development

Formulating marketing strategies:
•How are you going to get there?
Tactics:
•Action plan
•Who is going to do WHAT?
•WHEN are they going to do it?
•HOW including resources?

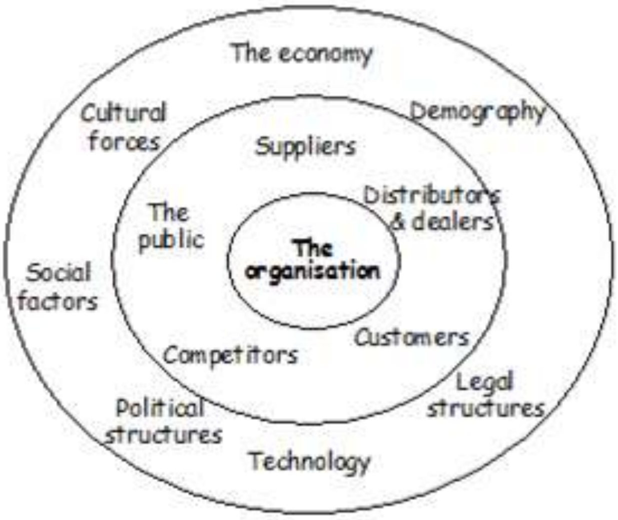
Finance / Budgets:
•Market and sales forecasts •Profitability

Monitor & Control:
•Performance measurement
o Compare what did happen to what you thought would happen
•Contingency plans
o What if performance is not what you expected
♣Modification of strategies where necessary
♣Modification of objectives where necessary o When do you decide to change

UNIT 2
MARKETING SEGMENTATION

The Impact Of Micro and Macro Environment Factors on Marketing

There are two kinds of external marketing environments; micro and macro. These environments' factors are beyond the control of marketers but they still influence the decisions made when creating a strategic marketing strategy.



Micro Environment Factors

The suppliers: Suppliers can control the success of the business when they hold the power. The supplier holds the power when they are the only or the largest supplier of their goods; the buyer is not vital to the supplier's business; the supplier's product is a core part of the buyer's finished product and/or business.

The resellers: If the product the organisation produces is taken to market by 3rdparty resellers or market intermediaries such as retailers, wholesalers, etc. then the marketing success is impacted by those 3rd party resellers. For example, if a retail seller is a reputable name then this reputation can be leveraged in the marketing of the product.

The customers: Who the customers are (B2B or B2C, local or international, etc.) and their reasons for buying the product will play a large role in how you approach the marketing of your products and services to them.

The competition: Those who sell same or similar products and services as your organisation are your market competition, and they way they sell needs to be taken into account. How does their price and product differentiation impact you? How can you leverage this to reap better results and get ahead of them?

The general public: Your organisation has a duty to satisfy the public. Any actions of your company must be considered from the angle of the general public and how they are affected. The public have the power to help you reach your goals; just as they can also prevent you from achieving them.

Macro Environment Factors

Demographic forces: Different market segments are typically impacted by common demographic forces, including country/region; age; ethnicity; education level; household lifestyle; cultural characteristics and movements.

Economic factors: The economic environment can impact both the organisation's production and the consumer's decision making process.

Natural/physical forces: The Earth's renewal of its natural resources such as forests, agricultural products, marine products, etc must be taken into account. There are also the natural non-renewable resources such as oil, coal, minerals, etc that may also impact the organisation's production.

Technological factors: The skills and knowledge applied to the production, and the technology and materials needed for production of products and services can also impact the smooth running of the business and must be considered.
Political and legal forces: Sound marketing decisions should always take into account political and/or legal developments relating to the organisation and its markets.
Social and cultural forces: The impact the products and services your organisations brings to market have on society must be considered. Any elements of the production process or any products/services that are harmful to society should be eliminated to show your organisation is taking social responsibility. A recent example of this is the environment and how many sectors are being forced to review their products and services in order to become more environmentally friendly.
Micro and macro environments have a significant impact on the success of marketing campaigns, and therefore the factors of these environments should be considered in-depth during the decision making process of a strategic marketer. Considering these factors will improve the success of your organisation's marketing campaign and the reputation of the brand in the long term.

What is Segmentation?
Segmentation refers to a process of bifurcating or dividing a large unit into various small units which have more or less similar or related characteristics.
Market Segmentation
Market segmentation is a marketing concept which divides the complete market set up into smaller subsets comprising of consumers with a similar taste, demand and preference.
A market segment is a small unit within a large market comprising of like minded individuals.
One market segment is totally distinct from the other segment.
A market segment comprises of individuals who think on the same lines and have similar interests.
The individuals from the same segment respond in a similar way to the fluctuations in the market.
Basis of Market Segmentation
Gender
The marketers divide the market into smaller segments based on gender. Both men and women have different interests and preferences, and thus the need for segmentation.
Organizations need to have different marketing strategies for men which would obviously not work in case of females.
A woman would not purchase a product meant for males and vice a versa.
The segmentation of the market as per the gender is important in many industries like cosmetics, footwear, jewellery and apparel industries.
Age Group
Division on the basis of age group of the target audience is also one of the ways of market segmentation.
The products and marketing strategies for teenagers would obviously be different than kids.
Age group (0 - 10 years) - Toys, Nappies, Baby Food, Prams
Age Group (10 - 20 years) - Toys, Apparels, Books, School Bags
Age group (20 years and above) - Cosmetics, Anti-Ageing Products, Magazines, apparels and so on
Income
Marketers divide the consumers into small segments as per their income. Individuals are classified into segments according to their monthly earnings.
The three categories are:
High income Group
Mid Income Group

Low Income Group
Stores catering to the higher income group would have different range of products and strategies as compared to stores which target the lower income group.
Pantaloon, Carrefour, Shopper's stop target the high income group as compared to Vishal Retail, Reliance Retail or Big bazaar who cater to the individuals belonging to the lower income segment.

Marital Status
Market segmentation can also be as per the marital status of the individuals. Travel agencies would not have similar holiday packages for bachelors and married couples.
Occupation
Office goers would have different needs as compared to school / college students.
A beach house shirt or a funky T Shirt would have no takers in a Zodiac Store as it caters specifically to the professionals.
Types of Market Segmentation
Psychographic segmentation
The basis of such segmentation is the lifestyle of the individuals. The individual's attitude, interest, value help the marketers to classify them into small groups.
Behaviouralistic Segmentation
The loyalties of the customers towards a particular brand help the marketers to classify them into smaller groups, each group comprising of individuals loyal towards a particular brand.
Geographic Segmentation
Geographic segmentation refers to the classification of market into various geographical areas. A marketer can't have similar strategies for individuals living at different places.
Nestle promotes Nescafe all through the year in cold states of the country as compared to places which have well defined summer and winter season.
McDonald's in India does not sell beef products as it is strictly against the religious beliefs of the countrymen, whereas McDonald's in US freely sells and promotes beef products.
Need for Market Segmentation - Why Market Segmentation ?
A set-up where two or more parties (also called buyers and sellers) are engaged in transaction of goods and services in exchange of money is called a market.
At the market place the sellers sell their goods to the consumers (buyers) in exchange of money.
Let us go through the following examples:
Nokia offers wide range of handsets for both males as well as females.
The handset for females would be sleeker and more colourful as compared to sturdy handsets for males. Males generally do not prefer stylish handsets.
The organizations can't have similar products for all individuals.
Perfumes and deodorants for females have a sweet fragrance whereas perfumes for males have a strong fragrance.
A marketer can't have similar strategies for all consumers.
The process of creating small segments comprising of like minded individuals within a broad market refers to market segmentation. Market segmentation helps in the division of market into small segments including individuals who show inclination towards identical brands and have similar interests, attitudes and perception.
Need for Market Segmentation (Why Market Segmentation?)
Not all individuals have similar needs. A male and a female would have varied interests and liking towards different products. A kid would not require something which an adult needs. A school kid would have a different requirement than an office goer. Market Segmentation helps the marketers to bring together individuals with similar choices and interests on a common platform.
Market Segmentation helps the marketers to devise appropriate marketing strategies and promotional schemes according to the tastes of the individuals of a particular market segment. A male model would look out of place in an advertisement promoting female products. The marketers must be able to relate their products to the target segments.
Market segmentation helps the marketers to understand the needs of the target audience and adopt specific marketing plans accordingly. Organizations can adopt a more focussed approach as a result of market segmentation.
Market segmentation also gives the customers a clear view of what to buy and what not to buy. A Rado or Omega watch would have no takers amongst the lower income group as they cater to the premium segment. College students seldom go to a Zodiac or Van Heusen store as the merchandise offered by

these stores are meant mostly for the professionals. Individuals from the lower income group never use a Blackberry. In simpler words, the segmentation process goes a long way in influencing the buying decision of the consumers.
An individual with low income would obviously prefer a Nano or Alto instead of Mercedes or BMW.
Market segmentation helps the organizations to target the right product to the right customers at the right time. Geographical segmentation classifies consumers according to their locations. A grocery store in colder states of the country would stock coffee all through the year as compared to places which have defined winter and summer seasons.
Segmentation helps the organizations to know and understand their customers better. Organizations can now reach a wider audience and promote their products more effectively. It helps the organizations to concentrate their hard work on the target audience and get suitable results.
Segmentation refers to the process of creating small segments within a broad market to select the right target market for various brands. Market segmentation helps the marketers to devise and implement relevant strategies to promote their products amongst the target market.
A market segment consists of individuals who have similar choices, interests and preferences. They generally think on the same lines and are inclined towards similar products. Once the organizations decide on their target market, they can easily formulate strategies and plans to make their brands popular amongst the consumers.

Steps in Market Segmentation
Identify the target market
The first and foremost step is to identify the target market. The marketers must be very clear about who all should be included in a common segment. Make sure the individuals have something in common. A male and a female can't be included in one segment as they have different needs and expectations.
Burberry stocks separate merchandise for both men and women. The management is very clear on the target market and has separate strategies for product promotion amongst both the segments.
A Garnier men's deodorant would obviously not sell if the company uses a female model to create awareness.
Segmentation helps the organizations decide on the marketing strategies and promotional schemes.
Maruti Suzuki has adopted a focused approach and wisely created segments within a large market to promote their cars.
Lower Income Group - Maruti 800, Alto
Middle Income Group - Wagon R, Swift, Swift Dzire, Ritz
High Income Group - Maruti Suzuki Kizashi, Suzuki Grand Vitara
Suzuki Grand Vitara would obviously have no takers amongst the lower income group.
The target market for Rado, Omega or Tag Heuer is the premium segment as compared to Maxima or a Sonata watch.
Identify expectations of Target Audience
Once the target market is decided, it is essential to find out the needs of the target audience. The product must meet the expectations of the individuals. The marketer must interact with the target audience to know more about their interests and demands.
Kellogg's K special was launched specifically for the individuals who wanted to cut down on their calorie intake.
Marketing professionals or individuals exposed to sun rays for a long duration need something which would protect their skin from the harmful effects of sun rays. Keeping this in mind, many organizations came with the concept of sunscreen lotions and creams with a sun protection factor especially for men.
Create Subgroups
The organizations should ensure their target market is well defined. Create subgroups within groups for effective results.
Cosmetics for females now come in various categories.
Creams and Lotions for girls between 20-25 years would focus more on fairness.

Creams and lotions for girls between 25 to 35 years promise to reduce the signs of ageing.

Review the needs of the target audience

It is essential for the marketer to review the needs and preferences of individuals belonging to each segment and sub-segment. The consumers of a particular segment must respond to similar fluctuations in the market and similar marketing strategies.

Name your market Segment

Give an appropriate name to each segment. It makes implementation of strategies easier.

A kids section can have various segments namely new born, infants, toddlers and so on.

Marketing Strategies

Devise relevant strategies to promote brands amongst each segment. Remember you can't afford to have same strategies for all the segments. Make sure there is a connect between the product and the target audience. Advertisements promoting female toiletries can't afford to have a male model, else the purpose gets nullified.

A model promoting a sunscreen lotion has to be shown roaming or working in sun for the desired impact.

Review the behavior

Review the behavior of the target audience frequently. It is not necessary individuals would have the same requirement (demand) all through the year. Demands vary, perceptions change and interests differ. A detailed study of the target audience is essential.

Size of the Target Market

It is essential to know the target market size. Collect necessary data for the same. It helps in sales planning and forecasting.

Marketing Mix - Meaning and its Elements

Neil Borden in the year 1953 introduced the term Marketing mix, an extension of the work done by one of his associates James Culliton in 1948.

Marketing Mix - A mixture of several ideas and plans followed by a marketing representative to promote a particular product or brand is called marketing mix. Several concepts and ideas combined together to formulate final strategies helpful in making a brand popular amongst the masses form marketing mix.

Elements of Marketing Mix

The elements of marketing mix are often called the four P's of marketing.

Product

Goods manufactured by organizations for the end-users are called products.

Products can be of two types - Tangible Product and Intangible Product (Services)

An individual can see, touch and feel tangible products as compared to intangible products.

A product in a market place is something which a seller sells to the buyers in exchange of money.

Price

The money which a buyer pays for a product is called as price of the product. The price of a product is indirectly proportional to its availability in the market. Lesser its availability, more would be its price and vice a versa.

Retail stores which stock unique products (not available at any other store) quote a higher price from the buyers.

Place

Place refers to the location where the products are available and can be sold or purchased. Buyers can purchase products either from physical markets or from virtual markets. In a physical market, buyers and sellers can physically meet and interact with each other whereas in a virtual market buyers and sellers meet through internet.

Promotion

Promotion refers to the various strategies and ideas implemented by the marketers to make the end - users aware of their brand. Promotion includes various techniques employed to promote and make a brand popular amongst the masses.

Promotion can be through any of the following ways:
Advertising
Print media, Television, radio are effective ways to entice customers and make them aware of the brand's existence.
Billboards, hoardings, banners installed intelligently at strategic locations like heavy traffic areas, crossings, railway stations, bus stands attract the passing individuals towards a particular brand.
Taglines also increase the recall value of the brand amongst the customers.
Word of mouth
One satisfied customer brings ten more customers along with him whereas one dis-satisfied customer takes away ten more customers. That's the importance of word of mouth. Positive word of mouth goes a long way in promoting brands amongst the customers.
Lately three more P's have been added to the marketing mix. They are as follows:
People - The individuals involved in the sale and purchase of products or services come under people.
Process - Process includes the various mechanisms and procedures which help the product to finally reach its target market
Physical Evidence - With the help of physical evidence, a marketer tries to communicate the USP's and benefits of a product to the end users
Four C's of Marketing Mix
Now a days, organizations treat their customers like kings. In the current scenario, the four C's has thus replaced the four P's of marketing making it a more customer oriented model. Koichi Shimizu in the year 1973 proposed a four C's classification.
Commodity - (Replaces Products)
Cost - (Replaces Price) involves manufacturing cost, buying cost and selling cost
Channel - The various channels which help the product reach the target market.
Communication - (Replaces Promotion)
Robert F. Lauterborn gave a modernized version of the four C's model in the year 1993. According to him the four C's of marketing are:
Consumer
Cost
Convenience
Communication
What is Consumer Behaviour - Meaning and Important Concepts
Tweet
Before understanding consumer behaviour let us first go through few more terminologies:
Who is a Consumer ?
Any individual who purchases goods and services from the market for his/her end-use is called a consumer.
In simpler words a consumer is one who consumes goods and services available in the market.
Example - Tom might purchase a tricycle for his son or Mike might buy a shirt for himself. In the above examples, both Tom and Mike are consumers.
What is consumer Interest ?
Every customer shows inclination towards particular products and services. Consumer interest is nothing but willingness of consumers to purchase products and services as per their taste, need and of course pocket.
Let us go through the following example:
Both Maria and Sandra went to the nearby shopping mall to buy dresses for themselves. The store manager showed them the best dresses available with him. Maria immediately purchased two dresses but Sandra returned home empty handed. The dresses were little too expensive for Sandra and she preferred simple and subtle designs as compared to designer wears available at the store.
In the above example Sandra and Maria had similar requirements but there was a huge difference in their taste, mind set and ability to spend.
What is Consumer Behaviour ?

Consumer Behaviour is a branch which deals with the various stages a consumer goes through before purchasing products or services for his end use.
Why do you think an individual buys a product ?
Need
Social Status
Gifting Purpose
Why do you think an individual does not buy a product ?
No requirement
Income/Budget/Financial constraints
Taste
When do you think consumers purchase products ?
Festive season
Birthday
Anniversary
Marriage or other special occasions
There are infact several factors which influence buying decision of a consumer ranging from psychological, social, economic and so on.
The study of consumer behaviour explains as to:
Why and why not a consumer buys a product ?
When a consumer buys a product ?
How a consumer buys a product ?
During Christmas, the buying tendencies of consumers increase as compared to other months. In the same way during Valentines week, individuals are often seen purchasing gifts for their partners. Fluctuations in the financial markets and recession decrease the buying capacity of individuals.
In a layman's language consumer behaviour deals with the buying behaviour of individuals.
The main catalyst which triggers the buying decision of an individual is need for a particular product/service. Consumers purchase products and services as and when need arises.
According to Belch and Belch, whenever need arises; a consumer searches for several information which would help him in his purchase.
Following are the sources of information:
Personal Sources
Commercial Sources
Public Sources
Personal Experience
Perception also plays an important role in influencing the buying decision of consumers.
Buying decisions of consumers also depend on the following factors:
Messages, advertisements, promotional materials, a consumer goes through also called selective exposure.
Not all promotional materials and advertisements excite a consumer. A consumer does not pay attention to everything he sees. He is interested in only what he wants to see. Such behaviour is called selective attention.
Consumer interpretation refers to how an individual perceives a particular message.
A consumer would certainly buy something which appeals him the most. He would remember the most relevant and meaningful message also called as selective retention. He would obviously not remember something which has nothing to do with his need.
Stages in Consumer Decision Making Process
Tweet
An individual who purchases products and services from the market for his/her own personal consumption is called as consumer.
To understand the complete process of consumer decision making, let us first go through the following example:

Tim went to a nearby retail store to buy a laptop for himself. The store manager showed him all the latest models and after few rounds of negotiations, Tim immediately selected one for himself.
In the above example Tim is the consumer and the laptop is the product which Tim wanted to purchase for his end-use.
Why do you think Tim went to the nearby store to purchase a new laptop ?
The answer is very simple. Tim needed a laptop. In other words it was actually Tim's need to buy a laptop which took him to the store.
The Need to buy a laptop can be due to any of the following reasons:
His old laptop was giving him problems.
He wanted a new laptop to check his personal mails at home.
He wanted to gift a new laptop to his wife.
He needed a new laptop to start his own business.
The store manager showed Tim all the samples available with him and explained him the features and specifications of each model. This is called information. Tim before buying the laptop checked few other options as well. The information can come from various other sources such as newspaper, websites, magazines, advertisements, billboards etc.
This explains the consumer buying decision process.
A consumer goes through several stages before purchasing a product or service.

NEED
↓
INFORMATION GATHERING/SEARCH
↓
EVALUATION OF ALTERNATIVES
↓
PURCHASE OF PRODUCT/SERVICE
↓
POST PURCHASE EVALUATION

Step 1 - Need is the most important factor which leads to buying of products and services. Need infact is the catalyst which triggers the buying decision of individuals.
An individual who buys cold drink or a bottle of mineral water identifies his/her need as thirst. However in such cases steps such as information search and evaluation of alternatives are generally missing. These two steps are important when an individual purchases expensive products/services such as laptop, cars, mobile phones and so on.

Step 2 - When an individual recognizes his need for a particular product/service he tries to gather as much information as he can.
An individual can acquire information through any of the following sources:
Personal Sources - He might discuss his need with his friends, family members, co workers and other acquaintances.
Commercial sources - Advertisements, sales people (in Tim's case it was the store manager), Packaging of a particular product in many cases prompt individuals to buy the same, Displays (Props, Mannequins etc)
Public sources - Newspaper, Radio, Magazine
Experiential sources - Individual's own experience, prior handling of a particular product (Tim would definitely purchase a Dell laptop again if he had already used one)

Step 3 - The next step is to evaluate the various alternatives available in the market. An individual after gathering relevant information tries to choose the best option available as per his need, taste and pocket.

Step 4 - After going through all the above stages, customer finally purchases the product.

Step 5 - The purchase of the product is followed by post purchase evaluation. Post purchase evaluation refers to a customer's analysis whether the product was useful to him or not, whether the product fulfilled his need or not?

Cultural Factors affecting Consumer Behaviour

Consumer behaviour deals with the study of buying behaviour of consumers. Consumer behaviour helps us understand why and why not an individual purchases goods and services from the market.

There are several factors which influence the buying decision of consumers, cultural factors being one of the most important factors.

What are Cultural Factors ?

Cultural factors comprise of set of values and ideologies of a particular community or group of individuals. It is the culture of an individual which decides the way he/she behaves. In simpler words, culture is nothing but values of an individual. What an individual learns from his parents and relatives as a child becomes his culture.

Example - In India, people still value joint family system and family ties. Children in India are conditioned to stay with their parents till they get married as compared to foreign countries where children are more independent and leave their parents once they start earning a living for themselves.

Cultural factors have a significant effect on an individual's buying decision. Every individual has different sets of habits, beliefs and principles which he/she develops from his family status and background. What they see from their childhood becomes their culture.

Let us understand the influence of cultural factors on buying decision of individuals with the help of various examples.

Females staying in West Bengal or Assam would prefer buying sarees as compared to Westerns. Similarly a male consumer would prefer a Dhoti Kurta during auspicious ceremonies in Eastern India as this is what their culture is. Girls in South India wear skirts and blouses as compared to girls in north India who are more into Salwar Kameez.

Our culture says that we need to wear traditional attire on marriages and this is what we have been following since years.

People in North India prefer breads over rice which is a favorite with people in South India and East India.

Subcultures

Each culture further comprises of various subcultures such as religion, age, geographical location, gender (male/female), status etc.

Religion (Christianity, Hindu, Muslim, Sikhism, Jainism etc)

A Hindu bride wears red, maroon or a bright colour lehanga or saree whereas a Christian bride wears a white gown on her wedding day. It is against Hindu culture to wear white on auspicious occasions. Muslims on the other hand prefer to wear green on important occasions.

For Hindus eating beef is considered to be a sin whereas Muslims and Christians absolutely relish the same. Eating pork is against Muslim religion while Hindus do not mind eating it.

A sixty year old individual would not like something which is too bright and colorful. He would prefer something which is more sophisticated and simple. On the other hand a teenager would prefer funky dresses and loud colours.

In India widows are expected to wear whites. Widows wearing bright colours are treated with suspicion.

Status (Upper Class, Middle class and Lower Class)

People from upper class generally have a tendency to spend on luxurious items such as expensive gadgets, cars, dresses etc.You would hardly find an individual from a lower class spending money on high-end products. A person who finds it difficult to make ends meet would rather prefer spending on items necessary for survival. Individuals from middle class segment generally are more interested in buying products which would make their future secure.

Gender (Male/Female)

People generally make fun of males buying fairness creams as in our culture only females are expected to buy and use beauty products. Males are perceived to be strong and tough who look good just the way they are.

Social Factors affecting Consumer Behaviour

Consumer Behaviour is an effort to study and understand the buying tendencies of consumers for their end use.

Social factors play an essential role in influencing the buying decisions of consumers.

Human beings are social animals. We need people around to talk to and discuss various issues to reach to better solutions and ideas. We all live in a society and it is really important for individuals to adhere to the laws and regulations of society.

Social Factors influencing consumer buying decision can be classified as under:

Reference Groups
Immediate Family Members
Relatives
Role in the Society
Status in the society

Reference Groups

Every individual has some people around who influence him/her in any way. Reference groups comprise of people that individuals compare themselves with. Every individual knows some people in the society who become their idols in due course of time.

Co workers, family members, relatives, neighbours, friends, seniors at workplace often form reference groups.

Reference groups are generally of two types:

Primary Group - consists of individuals one interacts with on a regular basis.

Primary groups include:

Friends
Family Members
Relatives
Co Workers

All the above influence the buying decisions of consumers due to following reasons:

They have used the product or brand earlier.

They know what the product is all about. They have complete knowledge about the features and specifications of the product.

Tim wanted to purchase a laptop for himself. He went to the nearby store and purchased a Dell Laptop. The reason why he purchased a Dell Laptop was because all his friends were using the same model and were quite satisfied with the product. We tend to pick up products our friends recommend.

A married individual would show strong inclination towards buying products which would benefit not only him but also his family members as compared to a bachelor. Family plays an important role in influencing the buying decisions of individuals.

A consumer who has a wife and child at home would buy for them rather than spending on himself. An individual entering into marriage would be more interested in buying a house, car, household items, furniture and so on. When an individual gets married and starts a family, most of his buying decisions are taken by the entire family.

Every individual goes through the following stages and shows a different buying need in each stage:

Bachelorhood: Purchases Alcohol, Beer, Bike, Mobile Handsets (Spends Lavishly)

Newly Married: Tend to purchase a new house, car, household furnishings. (Spends sensibly)

Family with Children: Purchases products to secure his as well as his family's future.

Empty nest (Children getting married)/Retirement/Old Age: Medicines, Health Products, and Necessary Items.

A Ford Car in the neighbourhood would prompt three more families to buy the same model.

Secondary Groups - Secondary groups share indirect relationship with the consumer. These groups are more formal and individuals do not interact with them on a regular basis, Example - Religious Associations, Political Parties, Clubs etc.

Role in the Society

Each individual plays a dual role in the society depending on the group he belongs to. An individual working as Chief Executive Officer with a reputed firm is also someone's husband and father at home. The buying tendency of individuals depends on the role he plays in the society.

Social Status

An individual from an upper middle class would spend on luxurious items whereas an individual from middle to lower income group would buy items required for his/her survival.

Personal Factors affecting Consumer Behaviour

Consumer Behaviour helps us understand the buying tendencies and spending patterns of consumers. Not all individuals would prefer to buy similar products.

Consumer behaviour deals with as to why and why not an individual purchases particular products and services.

Personal Factors play an important role in affecting consumer buying behaviour.

Occupation

The occupation of an individual plays a significant role in influencing his/her buying decision. An individual's nature of job has a direct influence on the products and brands he picks for himself/herself. Tim was working with an organization as Chief Executive Officer while Jack, Tim's friend now a retired professor went to a nearby school as a part time faculty. Tim always looked for premium brands which would go with his designation whereas Jack preferred brands which were not very expensive. Tim was really conscious about the clothes he wore, the perfume he used, the watch he wore whereas Jack never really bothered about all this.

That is the importance of one's designation. As a CEO of an organization, it was really essential for Tim to wear something really elegant and unique for others to look up to him. A CEO or for that matter a senior professional can never afford to wear cheap labels and local brands to work.

An individual's designation and his nature of work influence his buying decisions. You would never find a low level worker purchasing business suits, ties for himself. An individual working on the shop floor can't afford to wear premium brands everyday to work.

College goers and students would prefer casuals as compared to professionals who would be more interested in buying formal shirts and trousers.

Age

Age and human lifecycle also influence the buying behaviour of consumers. Teenagers would be more interested in buying bright and loud colours as compared to a middle aged or elderly individual who would prefer decent and subtle designs.

A bachelor would prefer spending lavishly on items like beer, bikes, music, clothes, parties, clubs and so on. A young single would hardly be interested in buying a house, property, insurance policies, gold etc.An individual who has a family, on the other hand would be more interested in buying something which would benefit his family and make their future secure.

Economic Condition

The buying tendency of an individual is directly proportional to his income/earnings per month. How much an individual brings home decides how much he spends and on which products?

Individuals with high income would buy expensive and premium products as compared to individuals from middle and lower income group who would spend mostly on necessary items. You would hardly find an individual from a low income group spending money on designer clothes and watches. He would be more interested in buying grocery items or products necessary for his survival.

Lifestyle

Lifestyle, a term proposed by Austrian psychologist Alfred Adler in 1929, refers to the way an individual stays in the society. It is really important for some people to wear branded clothes whereas some individuals are really not brand conscious. An individual staying in a posh locality needs to maintain his status and image. An individual's lifestyle is something to do with his style, attitude, perception, his social relations and immediate surroundings.

Personality

An individual's personality also affects his buying behaviour. Every individual has his/her own characteristic personality traits which reflect in his/her buying behaviour.A fitness freak would always look for fitness equipments whereas a music lover would happily spend on musical instruments, CDs, concerts, musical shows etc.

Psychological Factors affecting Consumer Behaviour

Consumer Behaviour deals with the study of buying behaviour of consumers.

Let us understand the effect of psychological factors on consumer behaviour:

Motivation

Nancy went to a nearby restaurant and ordered pizza for herself.

Why did Nancy buy pizza ?

Answer - She was feeling hungry and wanted to eat something.

In the above example, Hunger was the motivating factor for Nancy to purchase pizza. There are several other factors which motivate individuals to purchase products and services. An individual who is thirsty would definitely not mind spending on soft drinks, packaged water, juice and so on. Recognition and self esteem also influence the buying decision of individuals.

Why do people wear branded clothes ?

Individuals prefer to spend on premium brands and unique merchandise for others to look up to them. Certain products become their status symbol and people know them by their choice of picking up products that are exclusive. An individual who wears a Tag Heuer watch would never purchase a local watch as this would be against his image.

Perception

What is Perception ?

What an individual thinks about a particular product or service is his/her perception towards the same. For someone a Dell Laptop might be the best laptop while for others it could be just one of the best brands available.

Individuals with the same needs might not purchase similar products due to difference in perception.

Catherine and Roselyn had a hectic day at work and thus wanted to have something while returning from work. Catherine ordered a large chicken pizza with French fries and coke while Roselyn preferred a baked vegetable sandwich. Though both Catherine and Roselyn had the same motivation (hunger), but the products they purchased were entirely different as Roselyn perceived pizza to be a calorie laden food. Individuals think differently and their perceptions do not match.

Individuals perceive similar situation differently due to difference in the way they interpret information.

There are three different processes which lead to difference in perception:

Selective Attention - Selective attention refers to the process where individuals pay attention to information that is of use to them or their immediate family members. An individual in a single day is exposed to numerous advertisements, billboards, hoardings etc but he is interested in only those which would benefit him in any way. He would not be interested in information which is not relevant at the moment.

Selective Distortion - Consumers tend to perceive information in a way which would be in line to their existing thoughts and beliefs.

Selective Retention - Consumers remember information which would be useful to them, rest all they forget in due course of time. Michael wanted to purchase a watch for his wife and thus he remembered the RADO advertisement which he had seen several days ago.

Learning

Learning comes only through experience. An individual comes to know about a product and service only after he/she uses the same. An individual who is satisfied with a particular product/service will show a strong inclination towards buying the same product again.

Beliefs and Attitude

Beliefs and attitude play an essential role in influencing the buying decision of consumers. Individuals create a certain image of every product or service available in the market. Every brand has an image attached to it, also called its brand image.

Consumers purchase products/services based on their opinions which they form towards a particular product or service. A product might be really good but if the consumer feels it is useless, he would never buy it.

Role of Consumer Behaviour in Marketing

Consumer Behaviour refers to the study of buying tendencies of consumers. An individual who goes for shopping does not necessarily end up buying products. There are several stages a consumer goes through before he finally picks up things available in the market. Various factors, be it cultural, social, personal or psychological influence the buying decision of individuals.

Marketers need to understand the buying behaviour of consumers for their products to do well. It is really important for marketers to understand what prompts a consumer to purchase a particular product and what stops him from buying.

What marketers need to understand ?

The psychology of consumers (what they feel about a particular product and their brand on the whole).

How consumers are influenced by their immediate surroundings, family members, friends, co workers and so on.

What a consumer thinks when he goes out for shopping ?

A marketer needs to first identify his target consumers and understand their lifestyles, psychologies, income, spending capabilities, mentalities to offer them the right product.

Individuals from lower income group would never be interested in buying expensive and luxurious products. He would first fulfill his basic physiological needs like food, air, water etc. Trying to sell a Mercedes or a Rado watch to someone who finds it difficult to make ends meet would definitely be a disaster.

Kellogg's K special would hardly find any takers in the low income group. In this segment, individuals would be more interested in buying fresh fruits, vegetables, pulses which are necessary for their survival rather than spending on health supplements.

It is really essential for the marketers to understand the needs of consumers. Find out what they are actually looking for?

There are ideally two different ways which enable marketers to understand their consumers.

Primary Research

Secondary Research

Primary Research - Primary Research refers to a research methodology where marketers interact with consumers directly and gather as much information as they can. Information is generally collected through surveys, questionnaires, feedback forms, interviews etc.

Secondary Research - Secondary Research often refers to relying on information which has been collected by others at some point of time.

The background and family status of an individual also influence his/her buying behaviour.

Selling a laptop to an individual who is not much educated would be pointless. Remember consumers would show interest in your products only if they are of any use to them or their immediate family members. A low grade worker would never be interested in purchasing business suits or formal shirts.

Canned juices are a hit among middle and higher income group where individuals are really conscious about their health and fitness. Individuals who live hand to mouth would never spend on sugar free tablets, health supplements, or for that matter "Diet Coke".

It is also important to give complete information to end-users. Do not hide anything from them. It is not ethical. All tobacco products come with a warning. Individuals should be familiar with not only the benefits but also the side effects of the products.

Marketers must also take into account:

Age group of consumers

Geographical location

Lifestyle of consumers
Social Status of consumers
Funky designs, loud colours would be a hit among teenagers whereas middle aged and elderly people would prefer subtle colours and sophisticated designs.
Salwar Suits are extremely popular in North India whereas females prefer saris and skirt blouses in eastern and southern parts of India.
Individuals from posh localities and good jobs would show keen interest towards buying exclusive and unique products as compared to individuals who do not come from an affluent background.
Role of Consumer Behaviour in Advertising
Marketers need to understand the buying behaviour of consumers while designing their advertisements for the desired impact. Advertisements play an essential role in creating an image of a product in the minds of consumers. Advertisements must be catchy and communicate relevant information to consumers.
Understanding the needs of the consumer is really important when it comes to creating the right advertisement for the right audience. Remember it is only through advertisements; individuals are able to connect with your brand.
Identify your target audience. The advertisement in some way must touch the hearts of the end-users for them to buy the product.
It is really essential to show what the consumers like. Meet your target audience and find out what they expect from your product and brand on the whole. Do not show anything which might offend any religious group or community. Make sure the message is relevant and crisp. Overload of information nullifies the effect and the advertisement might go unnoticed. Don't try to confuse the consumers. They will never buy your product. Understand their psychologies well.
The advertisement must show what the product is all about. It should, in a way give some kind of information about its price, benefits, usage, availability and so on.
Consumers perceive Women Horlics as a health and energy drink which is a must for all working women as well as expecting mothers for their overall well -being. A Horlics advertisement with a male model does not make sense as the target audience would never be able to connect with the product. A lean and inactive office going female drinking Women's Horlics and thereafter beaming with energy and confidence would be the ideal concept for the advertisement. Through advertisements, the company actually tries to win over the confidence of consumers who would not mind spending on their product.
A Tag Heuer, Omega, Mercedes, I phone advertisement ought to be classy for people to recognize these products as status symbols. Use expensive props, unique concepts and well known faces for all premium and exclusive brands.
Advertisements meant for younger people (college goers, young professionals) ought to be colourful and trendy for them to be able to relate themselves with the product. Serious advertisements do not go very well with the youngsters. It is essential to understand the mindsets, attitudes and preferences of target audience.
Advertisements for insurance plans, medical benefits, hospitals ought to be sensible as they convey much serious information and target a mature segment of individuals altogether.
The time slot of commercials also needs to be taken care of. Advertisements for products meant for children should ideally be aired during afternoon or early evening hours as this is the time when they watch maximum television. Understand the lifestyle of your target audience. Prime time commercials are the ones which are viewed by maximum people.
Choose the right theme for your advertisement. The advertisements ought to create the need among the consumers for them to buy the product. Commercials ought to give complete information to the consumers. All tobacco and alcohol commercials must show the warning message.
Role of Family in Consumer Behaviour
No two individuals have same buying preferences. The buying tendencies of individuals vary as per their age, need, income, lifestyle, geographical location, willingness to spend, family status and so on. An individual's immediate family members play an essential role in influencing his/her buying behaviour.

An individual tends to discuss with his immediate family members before purchasing a particular product or service. Family members might support an individual's decision to buy a particular product, stop him for purchasing it or suggest few other options.

Family comprises of:

Parents

Siblings

Spouse

Grandparents

Relatives (Cousins/Aunts, Uncles etc)

What an individual imbibes from his parents becomes his/her culture. In countries like India, where children are supposed to stay with their parents till the time they get married, the influence of parents on an individual's buying decisions can not be ignored. What he sees from his childhood becomes his habit or in other words lifestyle. A female from an orthodox background would prefer salwar suits, saris instead of westerns or short outfits. In India, parents expect their children to dress up in nice, colourful outfits during marriages, festivals or other auspicious occasions. Even if children want to buy something else, their parents would always prompt them to buy traditional attire, thus influencing their buying decision.

The moment an individual enters into wedlock, his/her partner influences his buying decisions to a great extent. In most families, wife accompanies her husband for shopping be it grocery, home appliances, furnishings, car etc.An individual would always discuss with his/her partner before any major purchase. After marriage, individuals generally do not like spending on himself/herself; rather they do it for their partner or family.

A young bachelor would not mind spending on alcohol, attending night parties, casinos but the moment he has a wife at home, he would instead spend on household and necessary items. No bachelor likes to invest money on mutual funds, insurance policies, mediclaims etc but for someone who is married buying an investment plan becomes his first priority. Women generally are inclined towards buying toiletries, perfumes, dresses, household items, furnishings, food products while men would rather love to spend on gadgets, cars, bikes, alcohol etc.Both have different tastes but when they come together, they mutually decide on what to buy and what not to buy.

A Bachelor would never purchase Women's Horlicks or Kellogg's K special or a female perfume but when he has a wife at home; he would love to purchase them for his wife. A young girl who has never purchased shaving creams or men's perfume all through her life for herself would not mind purchasing for her husband, father or father in law. A working woman would have different needs as compared to a housewife. A woman who goes to office would prompt her husband to buy formal trouser and shirt, office bag, make up products etc for her while a house wife would not like spending on all these as she does not require an office bag and so on.

Children also influence the buying decisions of individuals. An individual spends happily on toys, candies, ice creams, chocolates. sweets when he has children at home. Children in the family prompt their parents to subscribe to Disney Channel, Cartoon network and so on.

Individuals do not mind spending on medicines, health supplements, vitamin tablets, protein drinks if they have ailing parents at home.

What is Marketing Research? Meaning

Marketing Research has two words, viz., marketing and research.

Marketing means buying and selling activities.

Research means a systematic and complete study of a problem. It is done by experts. It uses scientific methods.

Thus, we can say, "Marketing Research is a systematic method of collecting, recording and analyzing of data, which is used to solve marketing problems."

A company faces many marketing problems. It faces problems about consumers, product, market competition, sales promotion, etc. Marketing research helps to solve these problems.
Marketing research is a systematic process. It first collects data (information) about the marketing problem. Secondly, it records this data. Then it analysis (studies) this data and draws conclusions about it. After that, it gives suggestions (advice) for solving the marketing-problem.
So, marketing research helps to solve the marketing problems quickly, correctly and systematically.
Marketing research collects full information about consumers. It finds out the needs and expectations of the consumers. So the company produces the goods according to the needs and expectations of the consumers.
Marketing research helps the company to make its production and marketing policies. It helps the company to introduce new products in the market. It helps to identify new-markets.
Marketing research also collects full information about the competitors. The company uses this information to fight competition. It also helps the marketing manager to take decisions.
Marketing research is a special branch and soul of 'Marketing Management'. It is of recent origin and widely used by manufacturers, exporters, distributors and service organisations.
Marketing research is very systematic, scientific, objective and organised. It has a wide scope. It includes product research, consumer research, packaging research, pricing research, etc.
Marketing research is a continuous process. It has a few limitations. However, a company cannot survive and succeed without it.

Definition of Marketing Research
There are many definitions of marketing research. Some important ones are:
1. According to American Marketing Association (AMA),
“Marketing Research is the systematic gathering, recording and analysing of data about problems relating to the marketing of goods and services.”
2. According to Philip Kotler,
“Marketing research is a systematic problem analysis, model building and fact finding for the purpose of improved decision-making and control in the marketing of goods and services.”
3. According to Paul Green and Donald Tull,
“Marketing research is the systematic and objective search for, and analysis of, information relevant to the identification and solution of any problem in the field of marketing.”
4. According to David Luck, Donald Taylor and Hugh Wales,
“Marketing Research is the application of scientific methods in the solution of marketing problems.”
Features of Marketing Research

The salient characteristics or features of marketing research are as follows:
Wide and comprehensive scope - Marketing research has a very wide scope. It includes product research, packaging research, pricing research, market research, sales research, etc. It is used to solve marketing problems and to take marketing decisions. It is used to make marketing policies. It is also used to introduce new products in the market and to identify new markets. Marketing research is used to select channels of distribution, in advertising strategy, for sales promotion measures, etc.
Systematic and scientific - Marketing research is conducted in a step-by-step manner. It is conducted in an orderly fashion. Therefore, it is systematic. Marketing research uses scientific methods. Thus, it is also scientific.
Science and art : A Science collects knowledge (data) while an Art uses this knowledge for solving problems. Marketing research first collects data. It then uses this data for solving marketing problems. Therefore, it is both, a Science and an Art.
Collects and analyzes data - Marketing research gathers data accurately and objectively. It first collects reliable data and then analyses it systematically and critically.
Continuous and dynamic process - The company faces marketing problems throughout the year. So, Marketing research is conducted continuously. It continuously collects up-to-date data for solving the marketing problems. Large companies have their own marketing research departments. They conduct

Marketing research continuously throughout the year. Therefore, Marketing research is a continuous process. It is a dynamic process because it goes on changing. It does not remain static (the same). It uses new methods and techniques for collecting, recording and analyzing the data.

Tool for decision-making - The marketing manager has to take many decisions. For this, he requires a lot of data. Marketing research provides correct and up-to-date data to the marketing manager. This helps him to take quick and correct decisions. Therefore, Marketing research is an important tool for decision-making.

Benefits company and consumers - Marketing research is useful to the company in many ways. It increases the sales and profits of the company. It helps the company to fight competition and boost its goodwill in the market. It reduces the marketing risks. In short, Marketing research brings success to the company. It also brings the company closer to the consumers. It gives convenience and satisfaction to the consumers.

Similar to military intelligence - Marketing research is a commercial intelligence-gathering activity. It works similar to military intelligence. Marketing intelligence first makes a systematic study and only then takes a business action. Marketing research collects reliable data about the consumers, the competitors, the market, etc. This data is then organised and used for planning, decision-making and problem solving. This data is also further used for introducing new products and services in the market.

Applied research - Applied research is used for solving problems. Marketing research is used for solving marketing problems. Therefore, we can say that, Marketing research is also an applied research. It has a practical value because it is used for solving present and future problems.

Connected with MIS - Marketing research is a component of Marketing Information System (MIS). Marketing research and MIS are interrelated. Both are used to solve marketing problems and to take marketing decisions.

Reduces gap between producers and consumers - Marketing research informs producers about the needs and wants of the consumers. The producers produce goods according to the needs and demands of the consumers. This brings satisfaction to the consumers and in return producers make good profits. So, Marketing research reduces the gap between the producers and the consumers.

Uses different methods - Marketing research uses three methods for collecting data, viz., Survey Method, Experiment Method and Observation Method. All three methods are scientific. The researcher has to use a suitable method for collecting a reliable data.

Has few limitations - Marketing research has few limitations too. It is not an exact science. So, it does not give accurate results. It provides suggestions and not solutions. It is also a costly and time-consuming process.

Accurate data collection and critical analysis - Marketing research gives much importance to accurate data collection and its critical analysis. Thus, in a Marketing research, the data must be first collected accurately. That is, collected data or gathered information must be accurate, reliable and relevant. Later, this information must be systematically and critically examined before making any decisions.

Marketing information system

The Functions of Management

Clearly, information systems that claim to support managers cannot be built unless one understands what managers do and how they do it. The classical model of what managers do, espoused by writers in the 1920's, such as Henry Fayol, whilst intuitively attractive in itself, is of limited value as an aid to information system design. The classical model identifies the following 5 functions as the parameters of what managers do:

1 Planning
2 Organising
3 Coordinating
4 Deciding
5 Controlling

Such a model emphasises what managers do, but not how they do it, or why. More recently, the stress has been placed upon the behavioural aspects of management decision making. Behavioural models are based on empirical evidence showing that managers are less systematic, less reflective, more reactive and less well organised than the classical model projects managers to be. For instance, behavioural models describe 6 managerial characteristics:

- High volume, high speed work
- Variety, fragmentation, brevity
- Issue preference current, ad hoc, specific
- Complex web of interactions, contacts
- Strong preference for verbal media.

Such behavioural models stress that managers work at an unrelenting pace and at a high level of intensity. This is just as true for managers operating in the developing world as in the developed world. The nature of the pressures may be different but there is no evidence that they are any less intense. The model also emphasises that the activities of managers is characterised by variety, fragmentation and brevity. There is simply not enough time for managers to get deeply involved in a wide range of issues. The attention of managers increase rapidly from one issue to another, with very little pattern. A problem occurs and all other matters must be dropped until it is solved. Research suggests that a manager's day is characterised by a large number of tasks with only small periods of time devoted to each individual task.

Managers prefer speculation, hearsay, gossip in brief, current, up-to-date, although uncertain information. Historical, certain, routine information receives less attention. Managers want to work on issues that are current, specific and ad hoc.

Managers are involved in a complex and diverse web of contacts that together act as an information system. They converse with customers, competitors, colleagues, peers, secretaries, government officials, and so forth. In one sense, managers operate a network of contacts throughout the organisation and the environment.

Several studies have found that managers prefer verbal forms of communication to written forms. Verbal media are perceived to offer greater flexibility, require less effort and bring a faster response. Communication is the work of the manager, and he or she uses whatever tools are available to be an effective communicator.

Despite the flood of work, the numerous deadlines, and the random order of crises, it has generally been found that successful managers appear to be able to control their own affairs. To some extent, high-level managers are at the mercy of their subordinates, who bring to their attention crises and activities that must be attended to immediately. Nevertheless, successful managers are those who can control the activities that they choose to get involved in on a day-to-day basis. By developing their own long-term commitments, their own information channels, and their own networks, senior managers can control their personal agendas. Less successful managers tend to be overwhelmed by problems brought to them by subordinates.

Managerial Roles

Mintzberg suggests that managerial activities fall into 3 categories: interpersonal, information processing and decision making. An important interpersonal role is that of figurehead for the organisation. Second, a manager acts as a leader, attempting to motivate subordinates. Lastly, managers act as a liaison between various levels of the organisation and, within each level, among levels of the management team.

A second set of managerial roles, termed as informational roles, can be identified. Managers act as the nerve centre for the organisation, receiving the latest, most concrete, most up-to-date information and redistributing it to those who need to know.

A more familiar set of managerial roles is that of decisional roles. Managers act as entrepreneurs by initiating new kinds of activities; they handle disturbances arising in the organisation; they allocate resources where they are needed in the organisation; and they mediate between groups in conflict within the organisation.

In the area of interpersonal roles, information systems are extremely limited and make only indirect contributions, acting largely as a communications aid in some of the newer office automation and communication-oriented applications. These systems make a much larger contribution in the field of informational roles; large-scale MIS systems, office systems, and professional work stations that can enhance a manager's presentation of information are significant. In the area of decision making, only recently have decision support systems and microcomputer-based systems begun to make important contributions.

While information systems have made great contributions to organisations, until recently these contributions have been confined to narrow, transaction processing areas. Much work needs to be done in broadening the impact of systems on professional and managerial life.

Decision Making

Decision making is often seen as the centre of what managers do, something that engages most of a managers time. It is one of the areas that information systems have sought most of all to affect (with mixed success). Decision making can be divided into 3 types: strategic, management control and operations control.

Strategic decision making: This level of decision making is concerned with deciding on the objectives, resources and policies of the organisation. A major problem at this level of decision making is predicting the future of the organisation and its environment, and matching the characteristics of the organisation to the environment. This process generally involves a small group of high-level managers who deal with very complex, non-routine problems.

For example, some years ago, a medium-sized food manufacturer in an East African country faced strategic decisions concerning its range of pasta products. These products constituted a sizeable proportion of the company's sales turnover. However, the company was suffering recurrent problems with the poor quality of durum wheat it was able to obtain resulting in a finished product that was too brittle. Moreover, unit costs were shooting up due to increasingly frequent breakdowns in the ageing equipment used in pasta production. The company faced the decision whether to make a very large investment in new machinery or to accept the offer of another manufacturer of pasta products, in a neighbouring country, that it should supply the various pasta products and the local company put its own brand name on the packs. The decision is strategic since the decision has implications for the resource base of the enterprise, i.e. its capital equipment, its work force, its technological base etc. The implications of strategic decisions extend over many years, often as much as ten to fifteen years.

Management control decisions: Such decisions are concerned with how efficiently and effectively resources are utilised and how well operational units are performing. Management control involves close interaction with those who are carrying out the tasks of the organisation; it takes place within the context of broad policies and objectives set out by strategic planners.

An example might be where a transporter of agricultural products observes that his/her profits are declining due to a decline in the capacity utilisation of his/her two trucks. The manager (in this case the owner) has to decide between several alternative courses of action, including: selling of trucks, increasing promotional activity in an attempt to sell the spare carrying capacity, increasing unit carrying charges to cover the deficit, or seeking to switch to carrying products or produce with a higher unit value where the returns to transport costs may be correspondingly higher. Management control decisions are more tactical than strategic.

Operational control decisions: These involve making decisions about carrying out the " specific tasks set forth by strategic planners and management. Determining which units or individuals in the organisation will carry out the task, establishing criteria of completion and resource utilisation, evaluating outputs - all of these tasks involve decisions about operational control.

The focus here is on how the enterprises should respond to day-to-day changes in the business environment. In particular, this type of decision making focuses on adaptation of the marketing mix, e.g. how should the firm respond to an increase in the size of a competitor's sales force? should the product line be extended? should distributors who sell below a given sales volume be serviced through wholesalers rather than directly, and so on.

Within each of these levels, decision making can be classified as either structured or unstructured. Unstructured decisions are those in which the decision maker must provide insights into the problem definition. They are novel, important, and non-routine, and there is no well-understood procedure for making them. In contrast, structured decisions are repetitive, routine, and involve a definite procedure for handling them so that they do not have to be treated each time as if they were new.

Structured and unstructured problem solving occurs at all levels of management. In the past, most of the success in most information systems came in dealing with structured, operational, and management control decisions. However, in more recent times, exciting applications are occurring in the management and strategic planning areas, where problems are either semi-structured or are totally unstructured.

Making decisions is not a single event but a series of activities taking place over time. Suppose, for example, that the Operations Manager for the National Milling Corporation is faced with a decision as to whether to establish buying points in rural locations for the grain crop. It soon becomes apparent that the decisions are likely to be made over a period of time, have several influences, use many sources of information and have to go through several stages. It is worth considering the question of how, if at all, information systems could assist in making such a decision. To arrive at some answer, it is helpful to break down decision making into its component parts.

The literature has described 4 stages in decision making: intelligence, design, choice and implementation. That is, problems have to be perceived and understood; once perceived solutions must be designed; once solutions are designed, choices have to be made about a particular solution; finally, the solution has to be implemented.

Intelligence involves identifying the problems in the organisation: why and where they occur with what effects. This broad set of information gathering activities is required to inform managers how well the organisation is performing and where problems exist. Management information systems that deliver a wide variety of detailed information can be useful, especially if they are designed to report exceptions. For instance, consider a commercial organisation marketing a large number of different products and product variations. Management will want to know, at frequent intervals, whether sales targets are being achieved. Ideally, the information system will report only those products/product variations which are performing substantially above or below target.

Designing many possible solutions to the problems is the second phase of decision making. This phase may require more intelligence to decide if a particular solution is appropriate. Here, more carefully specified and directed information activities and capabilities focused on specific designs are required.

Choosing among alternative solutions is the third step in the decision making process. Here a manager needs an information system which can estimate the costs, opportunities and consequences of each alternative problem solution. The information system required at this stage is likely to be fairly complex, possibly also fairly large, because of the detailed analytic models required to calculate the outcomes of the various alternatives. Of course, human beings are used to making such calculations for themselves, but without the aid of a formal information system, we rely upon generalisation and/or intuition.

Implementing is the final stage in the decision making process. Here, managers can install a reporting system that delivers routine reports on the progress of a specific solution, some of the difficulties that arise, resource constraints, and possible remedial actions. Table 9.1 illustrates the stages in decision making and the general type of information required at each stage.

Table 9.1 Stages in the decision making process

Stage of Decision Making	**Information Requirement**
1 Intelligence	Exception reporting
2 Design	Simulation prototype
3 Choice	"What-if simulation
4 Implementation	Graphics, charts

In practice, the stages of decision making do not necessarily follow a linear path from intelligence to design, choice and implementation. Consider again the problem of balancing the costs and benefits of establishing local buying points for the National Milling Corporation. At any point in the decision making process it may be necessary to loop back to a previous stage. For example, one may have reached stage 3 and all but decided that having considered the alternatives of setting up no local buying points, local buying points in all regions, districts or villages, the government decides to increase the amounts held in the strategic grain reserve. This could cause the parastatal to return to stage 2 and reassess the alternatives. Another scenario would be that having implemented a decision one quickly receives feedback indicating that it is not proving effective. Again, the decision maker may have to repeat the design and/or choice stage(s).

Thus, it can be seen that information system designers have to take into account the needs of managers at each stage of the decision making process. Each stage has its own requirements.

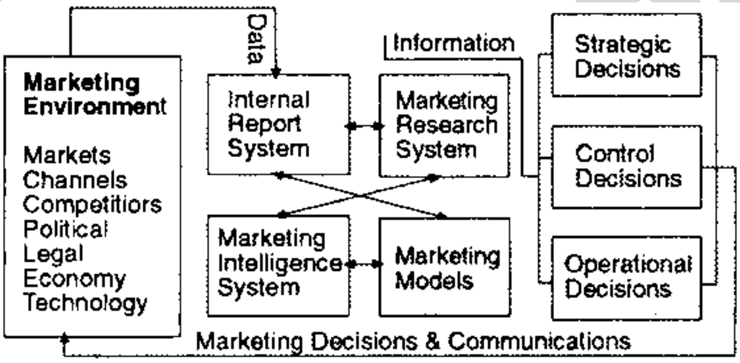
Components of a marketing information system

A marketing information system (MIS) is intended to bring together disparate items of data into a coherent body of information. An MIS is, as will shortly be seen, more than raw data or information suitable for the purposes of decision making. An MIS also provides methods for interpreting the information the MIS provides. Moreover, as Kotler's1 definition says, an MIS is more than a system of data collection or a set of information technologies:

"A marketing information system is a continuing and interacting structure of people, equipment and procedures to gather, sort, analyse, evaluate, and distribute pertinent, timely and accurate information for use by marketing decision makers to improve their marketing planning, implementation, and control".

Figure 9.1 illustrates the major components of an MIS, the environmental factors monitored by the system and the types of marketing decision which the MIS seeks to underpin.

Figure 9.1 The marketing information systems and its subsystems



The explanation of this model of an MIS begins with a description of each of its four main constituent parts: the internal reporting systems, marketing research system, marketing intelligence system and marketing models. It is suggested that whilst the MIS varies in its degree of sophistication - with many in the industrialised countries being computerised and few in the developing countries being so - a fully fledged MIS should have these components, the methods (and technologies) of collection, storing, retrieving and processing data notwithstanding.

Internal reporting systems: All enterprises which have been in operation for any period of time nave a wealth of information. However, this information often remains under-utilised because it is compartmentalised, either in the form of an individual entrepreneur or in the functional departments of larger businesses. That is, information is usually categorised according to its nature so that there are, for example, financial, production, manpower, marketing, stockholding and logistical data. Often the entrepreneur, or various personnel working in the functional departments holding these pieces of data, do not see how it could help decision makers in other functional areas. Similarly, decision makers can fail to appreciate how information from other functional areas might help them and therefore do not request it.

The internal records that are of immediate value to marketing decisions are: orders received, stockholdings and sales invoices. These are but a few of the internal records that can be used by marketing managers, but even this small set of records is capable of generating a great deal of information. Below, is a list of some of the information that can be derived from sales invoices.

- Product type, size and pack type by territory
- Product type, size and pack type by type of account
- Product type, size and pack type by industry
- Product type, size and pack type by customer
- Average value and/or volume of sale by territory
- Average value and/or volume of sale by type of account
- Average value and/or volume of sale by industry
- Average value and/or volume of sale by sales person

By comparing orders received with invoices an enterprise can establish the extent to which it is providing an acceptable level of customer service. In the same way, comparing stockholding records with orders received helps an enterprise ascertain whether its stocks are in line with current demand patterns.

Marketing research systems: The general topic of marketing research has been the prime ' subject of the textbook and only a little more needs to be added here. Marketing research is a proactive search for information. That is, the enterprise which commissions these studies does so to solve a perceived marketing problem. In many cases, data is collected in a purposeful way to address a well-defined problem (or a problem which can be defined and solved within the course of the study). The other form of marketing research centres not around a specific marketing problem but is an attempt to continuously monitor the marketing environment. These monitoring or tracking exercises are continuous marketing research studies, often involving panels of farmers, consumers or distributors from which the same data is collected at regular intervals. Whilst the ad hoc study and continuous marketing research differs in the orientation, yet they are both proactive.

Marketing intelligence systems: Whereas marketing research is focused, market intelligence is not. A marketing intelligence system is a set of procedures and data sources used by marketing managers to sift information from the environment that they can use in their decision making. This scanning of the economic and business environment can be undertaken in a variety of ways, including2

Unfocused scanning	The manager, by virtue of what he/she reads, hears and watches exposes him/herself to information that may prove useful. Whilst the behaviour is unfocused and the manager has no specific purpose in mind, it is not unintentional
Semi-focused scanning	Again, the manager is not in search of particular pieces of information that he/she is actively searching but does narrow the range of media that is scanned. For instance, the manager may focus more on economic and business publications, broadcasts etc. and pay less attention to political, scientific or technological media.
Informal search	This describes the situation where a fairly limited and unstructured attempt is made to obtain information for a specific purpose. For example, the marketing manager of a firm considering entering the business of importing frozen fish from a neighbouring country may make informal inquiries as to prices and demand levels of frozen and fresh fish. There would be little structure to this search with the manager making inquiries with traders he/she happens to encounter as well as with other ad hoc contacts in ministries, international aid agencies, with trade associations, importers/exporters etc.
Formal search	This is a purposeful search after information in some systematic way. The information will be required to address a specific issue. Whilst this sort of activity may seem to share the characteristics of marketing research it is carried out by the manager him/herself rather than a professional researcher. Moreover, the scope of the search is likely to be narrow in scope and far less intensive than marketing research

Marketing intelligence is the province of entrepreneurs and senior managers within an agribusiness. It involves them in scanning newspaper trade magazines, business journals and reports, economic forecasts and other media. In addition it involves management in talking to producers, suppliers and customers, as well as to competitors. Nonetheless, it is a largely informal process of observing and conversing.

Some enterprises will approach marketing intelligence gathering in a more deliberate fashion and will train its sales force, after-sales personnel and district/area managers to take cognisance of competitors' actions, customer complaints and requests and distributor problems. Enterprises with vision will also encourage intermediaries, such as collectors, retailers, traders and other middlemen to be proactive in conveying market intelligence back to them.

Marketing models: Within the MIS there has to be the means of interpreting information in order to give direction to decision. These models may be computerised or may not. Typical tools are:

- Time series sales modes
- Brand switching models
- Linear programming
- Elasticity models (price, incomes, demand, supply, etc.)
- Regression and correlation models
- Analysis of Variance (ANOVA) models
- Sensitivity analysis
- Discounted cash flow
- Spreadsheet 'what if models

These and similar mathematical, statistical, econometric and financial models are the analytical subsystem of the MIS. A relatively modest investment in a desktop computer is enough to allow an enterprise to automate the analysis of its data. Some of the models used are stochastic, i.e. those containing a probabilistic element whereas others are deterministic models where chance plays no part. Brand switching models are stochastic since these express brand choices in probabilities whereas linear programming is deterministic in that the relationships between variables are expressed in exact mathematical terms.

Chapter Summary

Marketing information systems are intended to support management decision making. Management has five distinct functions and each requires support from an MIS. These are: planning, organising, coordinating, decisions and controlling.

Information systems have to be designed to meet the way in which managers tend to work. Research suggests that a manager continually addresses a large variety of tasks and is able to spend relatively brief periods on each of these. Given the nature of the work, managers tend to rely upon information that is timely and verbal (because this can be assimilated quickly), even if this is likely to be less accurate then more formal and complex information systems.

Managers play at least three separate roles: interpersonal, informational and decisional. MIS, in electronic form or otherwise, can support these roles in varying degrees. MIS has less to contribute in the case of a manager's informational role than for the other two.

Three levels of decision making can be distinguished from one another: strategic, control (or tactical) and operational. Again, MIS has to support each level. Strategic decisions are characteristically one-off situations. Strategic decisions have implications for changing the structure of an organisation and therefore the MIS must provide information which is precise and accurate. Control decisions deal with broad policy issues and operational decisions concern the management of the organisation's marketing mix.

A marketing information system has four components: the internal reporting system, the marketing research systems, the marketing intelligence system and marketing models. Internal reports include orders received, inventory records and sales invoices. Marketing research takes the form of purposeful studies either ad hoc or continuous. By contrast, marketing intelligence is less specific in its purposes, is chiefly carried out in an informal manner and by managers themselves rather than by professional marketing researchers.

Customer analysis & Segmentation Marketing plan content:
•Business definition
•Scope
•Industry analysis
•Competitor analysis
•Customer analysis
•Internal analysis
•SWOT
•Objectives
•Targeting & Positioning
•Strategies
•Tactics
•Budget
•Contingency

Customer analysis vs segmentation:
•Depends on level of analysis
•Depends on purpose of customer analysis
•Customer analysis uses 6W's to confirm understanding of their needs.
Goals of the customer analysis:
•Segmentation and target selection o Who, What, When, where, Why •Positioning and strengths and weaknesses
o Value hierarchy and customer satisfaction o Why and Why not
•Analysis of results and research
E.g. brand awareness, brand associations
•Competitor analysis
o Who, What, Why: chosen brand and competitors.
•Designing the marketing mix
6W's – What, Where & When: The 6 W's:
•What do our customers do with our products?
•Where do our customer purchase our products?
•When do our customers purchase our products?
•Why and how do our customers choose our products?
•Why do potential customers not purchase our products?
•Who are our current and potential customers?
What do customers do with our products?
•What uses does it offer the customer
•Heavy vs light users
•Post consumption

Where do customers purchase our products?
•Where do they buy the offer
•What channels do they use
•Where do they consume When do our customers purchase?
•When is the first decision made
o Time o Process of purchase
•When is the offer repurchased?
o Seasonality?
•When does the customer become affected by marketing communication

Why & How they choose us. Why do customers buy from us?

•Features, important attributes What value do they place on the brand?
•Importance of usage
•Effectiveness of product How – Mechanics
•Cash, credit, online

Why – value sources:
•Benefits customer seek?
Business definition, level of competition
Role – who are you marketing to

•Manifestations of value: o Price sensitivity o Satisfaction
Complaints and compliments o WOM
View of customer value:

•Functional / instrumental value o Correct attributes o Appropriate performances o Appropriate outcomes
•Experiential / Hedonic value
Sensory o Emotional o Social

•Symbolic / Expressive value o Self identity / worth o Personal meaning o Self expression Social meaning
•Cost / Sacrifice value
Economic
Psychological
Personal investment
Risk

Why don't they buy:
•Perception of value
•Satisfaction
- Expectations of performance
- Perceived quality
- Gap between expectations and performance

•Intentions

Who are our potential customers?
•Who are occupants of segments
Psychographic / value
Personality
Socioeconomic
Demographic
•Adopter classification
- Influence size of market
- Influence design of marketing mix

•Who – buying roles

o Initiator, influencer, decider, purchaser and user

Cultural mapping:

•We study 9 dimensions of life in Australia to understand and pinpoint the cultural forces shaping how we feel, think and what we desire.
Home o Health & wellbeing
Self-expression
Work
Money
Food
Travel
Entertainment
Relationships
Diffusion of innovation:
•Relative advantage •Compatibility •Risk •Complexity •Observability •Trialability

Time of adoption of innovations
•Innovators •Early adopters •Early majority •Late majority •Laggards

Buying role analysis:
•Needs / benefits sought vs buying roles
Segmentation:
•To think segments means you have to think about what drives customers, customer groups and the choices that are available to them.
•It's the process of partitioning a market into groups of potential customers who are similar in designated ways.
Why:
•Drives the marketing mix
Each segment requires at least on element of the marketing mix to be different.

•Effectiveness & efficiency
•Positioning strategy
•Product development

Segmentation purposes:
•To develop advertising

Users of product to be advertised o Surveys o Segments that responses to messages
•To develop new products

Segments that differ in their purchasing power, goals & behavior

Steps in STP:
•Market segmentation: process of subdividing the market o Identifying bases for segmenting the market
Develop profiles of resulting segment •Market targeting: segment company chooses to serve Develop measures of segment attractiveness
Select the target segments

•Market positioning:
Develop positioning for each target segment o Develop marketing mix for each target segment
Segmentation approaches:
•Normative

Econometric approach that attempts to determine buyer similarities by analyzing elasticity coefficients
•A priori
Drawing on secondary sources
•Post hoc
Study conducted to determine the information of a representative sample of the market.
•Data mining

Customer data is analyzed in order to determine patterns and relationships that can form a meaningful basis for segmenting the organization's customer base.

Segmentation Variables: •Geographic •Demographic •Psychographic •Behavioral •Benefit sought •Usage Criteria: •Sizable •Identifiable •Reachable •Responsive •Stable Methods of segmentation: •Factor analysis

Internal Analysis & Metrics Internal Analysis:
•How are we performing o What do we do well o What do we do badly •What skills do we have •What resources do we have •What are we capable of doing in the future •Marketing mix
Corporate & SBU level metrics:
•Financial •Internal •Innovation •Customer oriented
Internal capabilities: •Efficiency
o Turnover rate o Liquidity o Debtors o Overheads
•Employees
o Work atmosphere o Personal development o Staff turnover o Sick leave o Employee productivity o Porter's value chain
Critical success factors – Internal Analysis:
•How do you perform on factors relative to the competition. •Need to be better at it than they are for it to be a strength.
Customer oriented capabilities: Do your current strategies work? •Product portfolio mgt •Margins & profits •Customer profitability
•Channel and sales force •Pricing •IMC •Marketing
Product & portfolio mgt: •Trial •Repeat purchase •Penetration •Growth •Brand equity Margins & profits: •Unit margin •Margin percentage •Channel margin •Contribution per unit •Break-even sales
Breakeven:
•Represents the sales amount that is required to cover total costs. •Difference between price per unit & Variable cost per unit.
Product & portfolio metrics – the BCG The two dimensions: relative market share & market growth
•Relative market share
o Divide the product share by that of the largest competitor
•Market growth
o Line that separates growth from maturity
BCG Matrix (Product portfolio matrix)

The McKinsey GE matrix:
•Size of the circles indicate the relative size of market share •Designed as a tool to aid in determining investment priorities
Industry attractiveness:
•Size •Market growth •Market pricing •Competitive structure •Social environment
Business strengths: •Size •Growth •Share •Position •Technology •Image •People
Customer profitability & service: •Customer profit •Recent purchase •Retention rate •Customer lifetime value Marketing metrics – Pricing: •Price premium •Elasticity of Demand •Optimal price
Communication: •Sales performance

•Impressions •Return on promotion investment •Lead generation •Net reach
Web:
•Sales •Hits/Visits •Conversion rates •Cost per click •Customer acquisition cost •Page views
Sponsorships:
•Brand awareness •Brand image •Sales •Employees relation •Distribution
What do we want to know at the end of the internal analysis?
•Is what we are doing working? •If there is no evidence that it is not working, then you cant justify changing it in the future part of plan
•Given what you learned from external analysis are your marketing activities' appropriate?
Unit 2
–
Introduction & Overview of Marketing Research
•
Marketing research
the systematic and objective identification, collection, analysis,
and dissemination of information for the purpose of assisting management in
decision making related to the identification and solution of problems and
opportunities in marketing.

Marketing
Management Decision Process

Situation analysis:
Understand the environment and the market
Identify threats and opportunities
Assess the competitive position
• Strategy development:
Identify market segments
Establish competitive advantages
Set performance objectives

•Marketing program development:
Product and channel decisions
Communication decisions
Pricing
Personal selling decisions
- Implementation:

Performance monitoring
Refining strategies and program
When Marketing Research Is Needed

- The determination of the need for marketing resear

ch centers on:
Time constraint
The availability of date
The nature of the decision to be madr
The value of the research information in relation to costs

Marketing Research Process
1.Identification of problem
2.Creation of research design

3.Planning a sample.
4.Collection of data
5.Analysis of data
6.Generation of information
(formulating the conclusions and preparing the report).

What to Learn
•Identifying research problems and setting up research objectives
•Conducting secondary data research
•Designing primary research including
•Focus group and indepth interviews
•Survey (measurement, questionnaire design, implementation, etc.)
•Data analysis (qualitative and quantitative)
•Communicating effectively

Ad Effectiveness
•What makes an ad effective? What to study?
Memory test
Attitude
(towards the brand and/or product)
Behavioural change
Sales
"Ask specific questions for the marketing problem"
•How to study?

Research design
Data and Information
1.Data:Primary vs. secondary
Words, numbers, and/or observations
collected from the research
2.Data structure (consolidated and structured in a way to be understandable)
3.Information (managerial interpretation)
Marketing Research Process and Secondary Data Research
Marketing Research Process

Identification of Problem
•An orderly definition of the research definition of the research problem lends a sense of direction to the investigation.
•A decision maker must recognise the nature of the problem or opportunity, identify how much information is available and determine what information is needed. Every marketing problem or decision making situation can be classified on a continuum ranging from complete certainty to absolute ambiguity.

Careful attention to the problem definition stage allows the researcher to set the proper research objectives. If the purpose of the research is clear, the chances of collecting necessary and relevant information and not collecting surplus informationwill be much greater.

The process of defining the problem involves:
1.Ascertain the decisionmaker's objectives.
2.Understand the background of the problem.

3.Isolate and identify the problem, not the symptoms.
4.Determine the unit of analysis.
5.Determine the relevant variables.
6.State the research questions (hypotheses) and research objectives.

E.g.
City Phonein Korea. In early 90's, there weresocial needs for affordable two-way mobile communication device or service'City phone' can make a one way call after receiving message with pagerMarketing research indicated a big success for a device allowing a return call on the move.The service failed due to:
Wrong situation analysis, e.g
threat-
Device was designed before marketing research.Research suggested 'two way communication' and City Phone is only complete with pager
oTechnical issues Research Design
•Exploratory research:–Refine the problem

Qualitative research
Secondary data and/or pilot study
Usually the early stages of research

Descriptive research:
To describe characteristics of a population.Accuracy is of paramount importance–Survey, secondary data, focus group, indepth interview, or observation

Causal research:
Identify cause and effect relationships among variables .Researchers typically have an expectation about the relationship to be explained, thus, researchers must be quite knowledgeable about the subject.

Experiments
Decision Problem and Research Objectives marketing Decision Problem

Ascertain the decision maker's objective-Clear understanding of the purpose for undertaking the research. Understand the background of the problem, i.e.situation analysis'Iceberg principle'the idea that the dangerous part of many
marketing problems is neither visible to nor understood by marketing managers.

Define the marketing decision problem/question:
Broad managerial and strategic perspective
E.g.
In what form of promotion, should we provide?
E.g.
Should we introduce the new product?
E.g.
What pricing strategy should we follow?
Research Questions Formulate a series of research questions to add clarity to the marketing decision problem
E.g.
How familiar are consumers with the brand?

E.g. What attitudes do consumers have towards the brand?

E.g. What are most important factors for consumers to buy the
brand?
–
E.g.Is the product perceived as a good value?
–
Research Objectives
Researcher's version of the marketing decision problem Specify the information needed to make a decision.
State what researchers should achieve Limited to a manageable numbers, e.g. 3
5 objectives

State research objectives
E.g.To determine consumer awareness with aided recall
E.g.To identify important features that customers rely on when
they make purchase decisions
E.g.To identify the right segment for the product
E.g.To determine the perceived value of the service.
Preparing Research Proposal
Research proposal written statement of the research design (a planning tool, a
contract, allowing us to anticipate research outcome).
1.Outline the situation and define the management problem/opportunity
.2.Develop the research objectives and questions (think around the problem)
3.Identify the data (information) you need to collect to address each question
.4.Identify the method(s) you will use to collect the data
.5.Outline the sample and how you will reach them
.6.Develop time line for completing the research
.
International Marketing Research
•Culture, customs and patterns of social interactions may differWords and symbols may have different meaningNon verbal cues such as voice intonations, inflections,and gestures
•
Language
:
–
Misu
nderstanding
–
Translation error
Secondary Data
•
Disadvantages:
–
Not designed specifically to meet the researchers' needs.
–
Outdated information.
–
Variation in definition of terms.
–
Different units of measurement.
–
Lack of
information.

- Common research objectives for secondary data studies:
  – Fact-finding (identifying consumption patterns, tracking trends).
  – Model building (estimating market potential, forecasting sales).
  – Database marketing (enhancing customer databases, developing prospect lists).

Internal Data and Customer Relationship Management (CRM)

- Internal secondary data includes:
  – Sales invoice
  – Previous research
  – Customer feedback
  – Service records
  – Customer database
- Manufacturing data, customer sales, and/or customer database assist towards the forecast of demand/segmentation.
- E.g. Amazon; search history/online search and their book database form a recommendation system.

External Data

- Australian Bureau of Statistics (www.abs.gov.au; Census; Australian Social Trends).
- Nielsen.
- Syndicated data:
  – Scanner checkout data
  – ACNielsen, Synovate Aztec, IRI
  – Public Opinion Research
  –

Roymorgan
–
Single source database
–
CACI, Calaritas,

UNIT-3
PRODUCT

Introduction:
In simple words, the term, "Product" means an article which satisfies our wants. It is defined as a set of attributes, tangible, intangible & physical assembled in an identified manner.
Philip Kotler, defines the term product as "anything that can be offered to the market for consumption that might satisfy a need".

Features of a Product:
1. It has many utilities
2. It can either be tangible. Ex: soap, or intangible Ex: Insurance policy.
3. It is a combination, package, brand, etc
4. It is purchased because of its satisfying power.

New Product Development:
Introducing a new product is a difficult task, there is no guarantee that the new product developed is accepted in the market; hence, the risk if high. It is better to adopt a scientific approach for the development of new products. The following are the different stages of a new product development:
1. **Idea Generation:** New product development starts with an idea. The idea may come from any source. Ex: Competitors, Newspapers, Government, Research & Development, Department, etc.
2. **Screening Analysis:** Here the company evaluates all ideas. The intention here is to avoid unnecessary expenses by stopping further processing of unwanted ideas, which do not suit the company's requirements. An idea is evaluated with reference to various factors such as consumer needs, investments, profitability, technology, etc.
3. **Concept Testing:** In the stage the concept of the new is tested. The co. evaluates whether the concepts would suit the co., requirements.
4. **Business Analysis:** Here a detail financial analysis is done. It is carried out to find out the financial marketing competitive & manufacturing viability usually, they analysis is done by the experts. The task of the management is this step is to identify the product features, estimate the market demand & the products profitability. Those ideas, which promise more profits with minimum payback are selected.
5. **Product Development:** In this stage, product on paper is converted into a physical product. This is done by the engineering department or by the research & development department. Proper care must be taken while developing the product, so that the new product does not become a waste. For this purpose, research reports, company's budget, product features, etc have to be studied carefully. Undue haste in developing a new product results in the premature death. On the other hand, if the time taken is to long, the company may lose the opportunity to the competitors.
6. **Test Making:** After developing the product, the next stage is to test its commercial viability. This process is known as test making.
   Test marketing is defined as "developing a temporary Marketing Mix & introducing the new product to a market called, the sample market to verify & analyze the market reaction for the new product". This is one of the most important steps because for the first time, the information on the new product acceptance by the market is collected.

   While, test marketing, the company changes the Marketing Mix namely, Product, Price, Promotion & Physical Distribution depending upon the test marketing results. If it is accepted, it chooses the best marketing mix for the product, otherwise the project is rejected.

   Advantages of Test Marketing:
   a) It helps to understand the market reaction to the new product.
   b) Customers perception on the marketing mix is understood.

c) It avoids costly error of manufacturing, unwanted products. It reduces, the uncertainties relating to the new product.
d) It helps in developing suitable marketing mix
e) It helps in developing proper marketing strategies.
f) Test marketing also highlights the weakness of the new product, which can be rectified before launching on a large scale.
g) Test marketing gives better coordination between the company, intermediaries & the customers.
h) It also helps to understand the intermediaries view on the new product.
i) It brings down the overall cost of new product development by eliminating wastages.
   It should be remembered that the market chosen for test marketing must be proper in the sense that is should represent the entire country so that biased results are not considered.

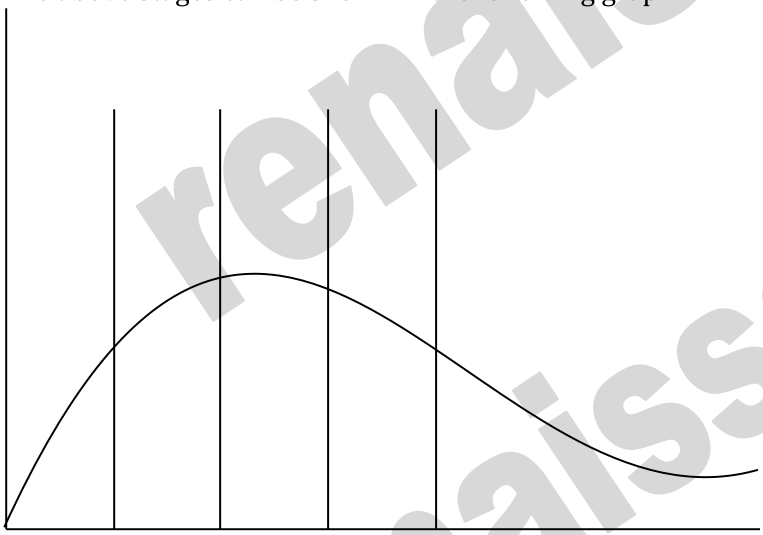
7. **Commercialization:** When once is successful in test marketing, i.e., when the market accepts the new product, it is launched in other markets on a large scale in a wider market is known as commercialization. It is from this stage that a new product is really born from the customer's point of view.

PRODUCT LIFE CYCLE

Product also has various stages of life as human beings. From the time a product is introduced, till it is withdrawn from the market, it goes through 5 stages. Analysis of these stages for the purpose of repositioning the product in the market is called Product Life Cycle management. The following are the stages in a product life cycle.

I. Introduction Stage
II. The Growth Stage
III. The Maturity Stage
IV. The Saturation Stage
V. The Decline Stage

The above stages can be shown in the following graph:



Life Cycle Stages

1. **Introduction Stages:** In this stage, a new product is introduced on a large scale for the first time. Market reacts slowly to the introduction. In other words, consumers take time to accept the new product. Initially, the company may suffer losses, sales improves gradually. Most of the products fail in this stage itself.
   Following are the characteristics of this stage:

a. Consumers do not have the knowledge of the product
b. Consumers may or may not be strongly in need of the new product.
c. If there is a need for the product, the company gets readymade demand. Otherwise, it increases slowly.
d. Sales are minimum
e. The competition is less, in fact the company, which introduces new product is called as a Market Pioneer.
f. The cost of it is very high because the company spends money heavily on Research & Development, Sales, Promotion, etc.

2. **Marketing Strategies during the Introduction Stage:** A company has to prepare the policies very carefully in the stages because it has a great impact on the image of a new product. Even a minor mistake results in the premature death of a product.
The following are the strategies that the company may adopt in this stage:
a. It may spend heavily on promotion & fix high price. This meets two objectives.
Firstly, heavy promotion creates large demand & high price, brings immediate profits. This strategy also helps to create brand preference in the minds of the consumer. It is normally followed when there is a great need for the product, when the product belongs to the richer class & when products are consumer specialties.
b. This second strategy is to fix high price but to spend less on promotion. This is preferred when the product has limited market, in which people have knowledge about the product & the competition is completely absent.
c. Another strategy is to charge low price & spend heavily on promotion. This is preferable when consumers are sensitive to the price & market is wide enough. This strategy brings good returns in the long run.
d. The company may charge low price & spends less on promotion. This is preferable when the consumers are informed about the product, market is very large & there is no competition for the time being.
In the introduction stage, the competitors are very cautious. They do not enter the market immediately. They study the strategies of a company & watch the reaction of the consumers. This helps them to find out the defects of the company's strategy.

3. **Growth Stage:** It is called the market acceptance stage. Following are its features:
a. Consumers & traders accept the product
b. Sales & profit increase
c. More competitions enter the market
d. The focus of competition is on the brand rather than the product
e. Competitors may introduce new features to the product
f. Distribution network increase
g. The price will be reduced marginally.

Marketing Strategies in the Growth Stage:
a. The company tries to impress upon the consumers that its brand is superior
b. It may introduce new models or improve the quality
c. It may enter new market & sell its products with new distribution channels
d. To attract more buyers, it may reduce the price.

4. **Maturity Stage:** This stage indicates the capacity to face the competition, sales increases at a decreasing rate. Competition becomes severe. It is reflected in various ways such as offering discounts, modifying products etc.

Marketing Strategies during Maturity Period/Stage: In this stage, the manufactures have to take responsibility to promote his product. This strategy aims at creating brand loyalty.

5. **Saturation Stage:** This is the stage when the sales reach the peak point. Competition intensifies further & profit begins to decline. Small competitors may withdraw from the market because of their incapability to face the competition.

   Marketing Strategies: This is the stage where the marketing manager must try to reposition his product. Most of the strategies in this stage are offensive in nature. Each manufacture tries to cut down his competitor's market share by aggressive promotion policy. The objective of marketing in this stage is to retain the present sales level.

6. **Decline Stage:** For all products, sales invariably declines as new products enter the market. In this stage, there is a sharp decline in the profits, cost increases & market share comes down. Most of the manufactures withdraw from the market. Some may reduce production & concentrate only on a limited market

   Marketing Strategies: This stage offers one of the greatest challenge to the marketing manager. He has to decide whether or not to continue with the product. The main task of marketing manager is to revitalize the demand instead of discontinuing the product immediately. It is better to withdraw gradually. Those channels of distribution, which are costly & unproductive maybe removed. In the meantime, the weak points of the marketing mix maybe identified & altered as required.

Reasons for the Failure of New Product:
1. Poor marketing research
2. Not using the up-to-date technology
3. High price or to costly products
4. Poor design
5. Inefficient marketing
6. Non-cooperation from the middlemen
7. Improper promotional techniques
8. Improper timing of introduction of the new product.

UNIT-4
PRODUCT PLANNING & PRICING STRATEGIES

Introduction:
Product planning is that part of marketing, which is concerned with determining the products to be offered, deleted & diversification.

Objectives of Product Planning:
Product planning is one of the most important functions of a marketing manager. The following are its objectives:
1. To offer products based upon customer needs.
2. To diversify, to capitalize on the company's strength.
3. To utilize the available resources more profitability.
4. To decide on the elimination of non-profitable products.
5. To change the features of the product as per the changes in the market.
6. For long-term survival.

Components of Product Planning:
1. Product Innovation
2. Product Diversification
3. Product Development
4. Product Standardization
5. Product Elimination
6. Product Mix & Product Line

1. **Product Innovation:** Innovation is a part of continuous improvement. In the absence of innovation, products become stale & hence die in the market. Innovation is required to keep up with the phase of changing market needs. According to Drucker, "Innovation will change customer's wants, create new ones, extinguish old ones & create new ways of satisfying wants."
2. **Product Diversification:** When a manufacturer offers more products in different areas, it is referred as product diversification. In fact, when a manufacturer diversification. Diversification normally involves business in a new area. Eg: ITC entering into hotel business, sony entering into film production business.
3. **Product Development:** It involves introducing a new product either by replacing the existing one or innovating a completely new product. It can either be brand extension or line extension. Company must be careful while developing new products because research shows that 92% of them fall in the market. Another danger of product development is cannibalization.
4. **Product Standardization:** It implies a limitation of types of products in a given class. It gives uniformity in terms of quality, economy, convenience & Value. Eg: Each model of T.V. gives a different standard. Standardization promises a minimum level of performance & hence is used as a benchmark for quality.
5. **Product Elimination:** This involves an emotional decision of withdrawing the existing product line. Decision must be carefully taken based upon current market share, future prospects etc. The product elimination involves reviewing the present product portfolio, analyze their profitability & then decide on discontinuance of a product.
6. **Product Mix & Product Line:** Product line is defined as a group of products offered by a company which belongs to same family of products or similar to each other or substitutes. Eg: Product line of ponds for personal care products includes cold creams, talcum powders, etc.
   Product Mix is defined as combination of product lines offered by a company. Eg: Product mix of Bajaj includes two wheelers, home appliances, electrical appliances, financial products etc.

Product Portfolio Planning:

A product mix & line of a company put together forms product portfolio of a company. It can be explained in terms of product width, product depth * the product consistency. Product width explains the number of product lines that a company offers, whereas product indicates the number of products in each line & product consistency indicates the closeness of items of range of products.

PRICING

Price of a product is "its" value expressed in terms of money which the consumers are expected to pay. Form the seller's point of view, it is return on the exchange & in economic terms, it is the value of satisfaction.

Importance of Price:
Price is a key factor, which affects a company's operation. It plays an important role at all levels of activities of a company. It influences the wages to be paid, the rent, interest & profits. It helps in proper allocation of resources by controlling the price, the demand & supply factor may easily be adjusted.

Objectives of Pricing:
1. **To increase the profit:** this is the most common objective. A company may fix the price with the aim of earning certain percentage of profits
2. **Market Share Objective:** some companies fix the price with a view to capture new market or to, increase or maintain the existing market share. The objective here is to either avoid competition or to meet it.
3. **To Stabilize the Price:** This is usually followed in the oligopoly market by the market leaders. The objective here is to avoid the price war & fluctuations in price.
4. **To Recover Cost:** To get back the cost incurred as early as possible, is another objective of pricing. It is for this reason that different prices are set for cash & credit sales for the same product.
5. **Penetration Objective:** The objective of penetration pricing is to fix a low-price so as to enter the new market.
6. **To Maintain the Product Image:** In this case, the objective is to fix a higher price to create a perception that the product is of superior quality. This is called market skimming strategy.

Factors Influencing the Price Determination:
The decision to fix the price is influenced by many factors which are controllable & uncontrollable. They are:
1. Product Characteristics.
2. Demand Characteristics.
3. Manufacturer's Objectives.
4. Cost of the Product.
5. Economic Condition.
6. Government Regulation.

I. Product Characteristics:

a. **Product Life Cycle:** A product manufacturer charges the price depending upon the stages of the life cycle of the product. Eg: If he has introduced a new product, he may charge a lower price & increase it when it enters the growth stage.
b. **Perishability:** According to the general principle, other things being equal, if a product is perishable, the price will be lower because it has to be sold as early as possible.
c. **Product Substitution:** If there is a substitute in the market, then the price will be either equal to or lower than the price of the substitute, because if the price is more that the substitute, people may purchase the substitute product only.

II. **Demand Characteristics:** It is one of the most important factors influencing the price. The company must forecast demand for its products & its elasticity before fixing the price. Demand estimation helps a company to prepare sales & the expected price, the consumers are willing to pay. The expected price of the market is the influencing factor here. According to the general principle, the final price fixed must neither be lower nor higher than the expected price.

III. **Manufacturer's Objective:** If the manufacturer wants to increase the market share, he has to fix the competitive price. In other words, he has to offer more discounts etc. On the other hand, if his objective is to increase profits, he may fix a higher price.

IV. **Cost of the Product:** Most of the companies fix the price on the basis of cost. Accordingly, selling price is equal to total cost plus profit. Total cost includes manufacturer's cost, administrative cost & selling cost.

V. **Economics Condition:** According to the general economic theory, price will not be lower during the depression & higher during the inflationary period. The company has no control over this factor because it is the result of general condition prevailing in the entire country.

VI. Government Policy / Regulation: If government thinks necessary, it may fix minimum price for a product. If it wants to discourage consumptions, it may increase the price & reduce it to encourage consumption.

Pricing Policies & Pricing Methods or Determination or the Price:

I. **Cost Plus Pricing:** In this method, the cost of manufacturing a product serves as the basis to fix the price, the desired profit is added to the cost & the final price is fixed. Most of the companies follow this method. Following are various methods of cost + pricing.
   a. **Price Based on the Total Cost:** Here a percentage of profit is added to the cost to calculate the selling price. It is usually followed by the whole sellers & the retailers. For industries such as construction, printing, repair shops, etc. this method is more suitable.
   b. **Price Based on the Marginal Cost:** It is the method of pricing where the price is fixed to recover the marginal cost only. Marginal cost is the extra cost incurred to produce extra units. Hence, this method is suitable only when pricing decisions are to be taken to expand the market to accept the export orders etc.
   c. **Break Even Pricing:** Under this method, the price is fixed first to recover the total cost incurred to produces the product. It is fixed in such a manner that the company neither earns profit nor does it suffer losses. This method is suitable during depression when there is acute competition, when a new product is to be introduced or when the product enters the declining stage of its life.

Advantages of Cost + Pricing:
1. This method is simple & hence price can be easily determined.
2. Companies, which cannot estimate the demand may follow this method.
3. It is suitable for long-term pricing policies

Dis-advantages of Cost + Pricing:
1. It neglects the demand factor of the product
2. It is difficult to determine the exact cost.

II. Pricing Based Upon Competition: Competition based pricing is defined as a method where a company tries to maintain its price on par with its competitors. It is suitable when the competition is serve & the product in the market is homogenous. This price is also called the going rate price. The company cannot take risk of either increasing the price or decreasing it. Following are some of the methods based upon competition:

a. **Pricing Above the Competition:** It is usually followed by well-recognized manufacturers to take advantage of their goodwill. The margin of profits is too high. This method is useful to attract upper class & upper middle class consumers.
b. **Pricing Below Competition Level:** This type of pricing is followed by the wholesalers & the retailers. They offer various kinds of discounts to attract consumers. Even established companies follow this method to maintain or to increase their sales during the off season.

III. **Pricing Based on Markets:** Depending upon the market of product, the manufacturers may fix the price for their products. In a perfect market, he has to go for the expected price in the market. It is also called the market price or going rate price. In case of monopoly, he is free to fix the price & can effectively practice the price discrimination policy.
In oligopoly where there are few sellers, the price is fixed by the largest seller called the market leader & others follow him. If price is above this level, he loses sales considerably & if he reduces it, sales may not increase because competitors immediately react & reduce their price also.

UNIT-5 & 6
PRODUCT PROMOTION OR PROMOTIONAL STRATEGIES AND PHYSICAL DISTRIBUTION AND STRATEGIES

It is the duty of the manufacturers to know about & accept their products & price for this purpose, they have to communicate with, persuade, & motivate them. To achieve this, they use promotional strategies. Promotion is the means through which a company meets its prospective customers.

Meaning of Promotion: Promotion is a part of an organization marketing mix that is used to inform & persuade the market regarding its products & services.

Promotion Mix: It is a combination of personal selling, advertising, sales promotion, publicity & public relations that helps an organization to meet its marketing objectives.

Communication Process in Marketing: Companies to be successful must communicate effectively. Effective communication is one which is received by the receiver in its original meaning as sent by the sender. In marketing, effective communication must be capable of making the consumers understand what the company is going to say. Following are the steps in communication process:
1. **Identifying the Target Market:** It is concerned in finding out to whom the message is being prepared. For each group of consumers or distributors a different message is required. Identifying the target, market helps a company to ascertain tastes, preferences etc of the consumers.
2. **Determine the communication Objective:** After analyzing target market & their characteristics, the next step is to find out what is desired from the communication, to attract the target market.
3. **Designing the Message:** While designing the message, the marketing manager must understand what to communicate & to whom to communicate. The message must be prepared in such a way that it reaches the target market effectively.
4. **Selecting Communication Channels:** A company can use two types of channels of communications, namely personal & non-personal.

Personal channel refers to communicating directly with the target market through salesmen	Non-personal channels are also called indirect channel & they include newspapers, TV, publicity, etc.

5. **Allocating of Promotional Budget:** Here the amount is to be spent to promote the product is fixed. Decision is also taken on the amount to be spent on various media.
6. **Deciding on the Promotion Mix:** Here money is allocated to various tools of promotion. Before deciding, the marketing managers have to analyze the nature & impact on the market of each kind of production.

Factors Affecting the Selection of Promotion Mix:
1. **Type of the market:** Promotion of industrial products requires a different strategy from the promotion of consumer products. Eg: Personal selling is the major tool of promotion for industrial products, whereas advertising is a major tool for consumer product.
2. **Product Life Cycle:** A product requires different kinds of promotion in different stages of its life. In the introduction stage, advertising & publicity are used. In the growth state, all means of promotion are given due importance. In the maturity stage, personal selling is used mostly & in the decline stage, it is the sales promotion which is the most influencing factor.
3. **Push & Pull Strategy:** Push strategy refers to the manufacturer using the sales force to push the sales. He promotes the product aggressively to the wholesalers. Wholesalers promote to retailers & retailers aggressively promote to the consumers. This is can be illustrated as follow:

Push Strategy

Promotes To

Manufacturers → Wholesalers → Retailers → Consumers

In case of pull strategy, manufacturer using heavy advertisement, publicity etc. promotes directly to the consumers. Consumers ask the retailers for the products. Feeling the demand, retailers force the wholesalers to sell/supply the product & wholesalers come to the manufacturer finally. It can be illustrated as below:

Promotes to

Manufacturers ← Wholesalers ← Retailers ← Consumers

The main advantages of pull strategy is that the manufacturers need not depend upon the wholesalers & retailers to sell his product & also this method helps him to create brand loyalty.

4. **Buyer's Attitude:** Eg: If buyers are positive in action, promotion aims at reminding them about the availability of the product.

Tools of Promotion

I. **Advertising:** The word "**Advertise**" has been derived from the word "**Ad**" which means "**Turn**" & "**Verto**" meaning "**towards**". Hence the term advertising means to turn the attention towards something.

Definition: According to the **Philip Kotler**, "Advertising consists of non-personal or one way form of communication conducted through paid media under clear sponsorship."

Objectives of Advertising: The main objective of advertising may be explained in the **"AIDAS"** formula, where **A=Attract the attention, I=Create interest (read), D=Desire (like), A=Action (act), S=Satisfaction.**

In other words, a god advertisement must attract the consumers, create interest in them, make them to desire the product & finally they should buy the product. The other objectives are:

a. To bring to the notice of consumers, the product, the features, uses etc.
b. To make an immediate sale.
c. To build demand in case of a new product.
d. To build the brand recognition
e. To increase market share
f. To build overall image of the company
g. To reach new market.

Factors Affecting the Media Selection:

1. **The objective of Advertising:** Eg: If immediate action is required radio, tv, newspapers, etc, may be used.
2. **The Geographical Factors:** The geographical factors such as circulation of the media, required coverage, etc.
3. **Nature of the message:** Eg: If the advertisement is just to inform people about something, only signboards can be used.
4. **Cost of the Media:** Eg: Newspapers are the cheapest medium, whereas TV is costliest.
5. The financial resources available.

6. The nature of the product
7. The nature of the consumers
8. Power of the media to reach the target market.

Kinds of Advertising Media or Media or Advertising:

1. **Press Publicity or the Print Media:**
   a. **Newspapers:** Newspapers are useful to advertise all types of product. They are more flexible & cheaper. In case of products, which are to be sold quickly or within a limited period, this is the most useful media. Before selecting a particular newspaper, the advertiser must take into account its circulation, readers, cost, etc.

Advantages:

i) It reaches almost all places, hence the exposure is maximum.
ii) As newspapers are published daily, continuous publicity is possible.
iii) They are more flexible, economical, & convenient.
iv) Advertising may be changed according to the requirements.

Disadvantages:

i) The life of advertisement is very short
ii) It becomes a waste if the readers do not go through the advertisement.
iii) It becomes a waste if there is no market for the product advertising in the place of circulation.

   b. **Magazines:** Magazines are read leisurely & they are more attractive. Magazines may be either general meant for general readers. Eg: India Today or specific that is specially meant for a particular group, Eg: Business India, Women's Era etc.

Advantages

i) The quality of advertisement is better because of the better design, print, color, & quality othe paper.
ii) The advertisement reaches the target market.
iii) Almost all advertisements are read because their number will be limited, they are more attractive & readers have enough time to go through them.

Disadvantages:

i) It is not flexible
ii) It is comparatively costlier
iii) As it is published periodically, urgent messages cannot be advertised.

II. **Direct Mail Advantages:**

This method is more popular in case of mail order business. The advertiser maintains a list of prospective customers & the advertisement is dispatched to them directly by post. Advertisement may be in the form of circulars, leaflets, broachers, catalogues, etc.

Advantages:

1. The advertiser can reach any part of the country & convey his message directly to the customer
2. It tries to build personal contact as the message is addressed to the customer himself.
3. The message can be altered according to the requirements.
4. It reaches the target market.

Disadvantages:

1. It is very difficult to prepare the list of prospective customers
2. In case of products, which need personal attention inspection before & after sales services, it cannot be used.

III. **Outdoor Advertising:**

This is the oldest form of advertising; it is suitable to promote products that need a wide appeal. Messages are exhibited at busy streets & places. They are primarily meant for the moving population. Outdoor advertising helps the advertiser to remind the people of his product frequently. Posters, Paintings, Electronic Signboards, Sky Writing, etc. are the various forms of outdoor advertising.

Advantages:

1. It attracts the attention of the people
2. It is flexible & comparatively cheaper
3. It has mass appeal
4. It is useful to promote the brand name.

Disadvantages:

1. The message is limited
2. It is difficult to find out the impact of advertisement
3. It is not primary form of advertising
4. At the best, it supplements other methods.

IV. **The Broadcast Media:**

a. **Radio:** In our country, radio as a means of advertising was first used in 1927, at present it is one of most effective tools of advertising. In almost all countries, sponsored commercial programs are very popular:

Advantages:

i. Its coverage is wide
ii. It reaches even the illiterate consumers.
iii. It is more flexible, in the sense that the advertiser can broadcast the messages at the language he wants it.
iv. The changes of being heard are more because advertisements are broadcasted in between various popular programs.
v. Advertisements are effective because they are recreational in nature.
vi. For emergency announcement, this is the most suitable media.

Disadvantages:

i. As it reaches general consumers, advertisement expenditure may become unproductive.
ii. Its life is extremely short
iii. It is more expensive.

b. **Television:** Being one of the important instruction in the field of marketing it has occupied position. Most manufacturers prefer this medium because it has both audio & visual effect. It is suitable for consumer shopping & specialty goods & all types of industrial goods.

Advantages:

1. It is the only medium, which appeals to both eye & ears.
2. Creativity may be achieved
3. It is more life than any other medium.
4. It is more flexible, i.e., advertisement can be telecasted when programs relate to a particular group are telecasted. Eg: Manufactures of toys may telecast their advertisement when children's programs are being telecasted.

Disadvantages:

1. Because of too many advertisements, consumers may lose interest in them.

2. The life is extremely short
3. It is the costliest form of advertisement.

c. **Cinema:** It is one of the most popular media in our country. It attracts a wide audience. The main advantage is that almost all advertisements are looked at & read by the people. Cinema advertisement may be in the form of slides, animation, documentaries, etc.
The main disadvantage is that its life is very short, in other words, when once the cinema begins people may forget all advertisements.

d. Online Advertising or Interest Advertising: One of the features of E-marketing is online advertising. Its popularity is increasing of late as it reaches the target market directly; scrolls, banners, etc are some of the forms of online advertising.

e. Advertising on Mobiles: The advent of mobile phones has changed the nature of advertising drastically. People advertise directly to mobile phone users through messages (SMS). This method of marketing is referred to as vital marketing.

Exhibition, fairs, demonstration, window display etc are other forms of advertisements.

Criticisms of Advertising:
1. It is considered as an unproductive expenditure.
2. It forces the people to purchase those products, which are not within reach.
3. It increase the cost of the product
4. It makes people to become slaves of a particular brand.
5. Most advertisements mislead the people
6. Most advertisements are unethical & immortal
7. It is used as a tool to deceive people
8. They make false claims & omit certain things intentionally.

The above points prove that advertisement is a mere waste. But a deeper analysis proves otherwise, it facilitates production & consumption functions. As its results are intangible, it cannot be considered as a wasteful expenditure. It stimulates competition & helps the people to get the better products at reasonable price.

SALES PROMOTION

Introduction: Sales promotion is one of the most loosely used terms in marketing. According to some authors, sales promotion is a broader term which includes all activities such as advertising, personal selling, publicity etc to capture the market. Another school of thought feels that it is a combination of various activities intended to stimulate & to supplement personal selling & advertising.
Definition: According to **American Marketing Association**, Sales Promotion is "A group of activities other than advertising, personal selling, & publicity that stimulates consumer purchasing & dealer's effectiveness. Eg: Discounts, Samples, Exhibition, etc.

Importance & Objectives of Sales Promotion:
Following are the reasons for the increased importance of sales promotion:
1. Shorter life cycle of a product
2. Heavy competition
3. Now producers have to capture the market as quickly as possible.
4. To push the product during the off season or dull period.

Objectives of Sales Promotion:
1. To improve the marketing performances of the middlemen (Push Strategy)

2. To increase demand at the consumer level (Push Strategy)
3. To supplement advertising & salesmanship
4. To make consumers to buy a new product or to encourage them to use more quantity of the existing product.
5. To attract new customers
6. To become the market leader
7. To encourage the use of other products of the same manufacturer
8. To create & maintain interest at the level of middleman.

Methods of Sales Promotion:

1. **Sales Promotion Aims At Consumers:** In this case promotion activities are carried on to include consumers to buy the product i.e, being promoted. Following are some of the methods of promoting products at consumer level:
   a. **Discount Coupons:** Usually this method is followed by the manufacturers of consumer shopping goods such as textiles, household articles, etc. Consumers will be allowed to avail discounts on their purchase when they surrender their coupons to the seller.
   b. **Free Samples:** Manufacturers may distribute samples of their product free of cost. This method is most effective to promote consumers necessities & convenient goods. Eg: Newspapers, Medicines, etc.
   c. **Consumers Contest:** A contest may be conducted to attract consumers from various parts. Some manufacturers restrict the contest only to those who purchase their product.
   d. **Points to Purchase Display (POP):** Under this method products that are being offered to be sold are demonstrated near the important selling centers. Eg: Vehicles, TV, etc.
   e. **Trade Shows & Exhibition:** These are conducted to attract the attention of consumers to remind them of the product available in the market.

   Other methods include distribution of its gifts & complements, lucky draws for consumers, etc.

2. **Sales Promotion Directed at Middlemen:** These are the programs intended to increase the interests of the middlemen to push the sales. Some of the promotional methods are:
   a. Advertisement Allowance: In this case, manufacturers compensate retailers for displaying their products.
   b. Premium cards given to increase sales during the off season. Eg: purchase 5 soaps & get 1 free.
   c. Wholesalers & agents distribute free samples to retailers in order to test the market reactions.
   d. Some manufacturers agree to receive back the goods if they are not sold within a specified period.
   e. Trace associations may conduct trade fairs, exhibitions, etc, for the distributors.
   This helps them to understand the later development in the field of marketing & to have good contact with others in the same field.
   f. Many manufacturers hold a get-together function for their dealers. This is popularly know as dealer's convention. This helps in the development of informal organisation among the dealers.
   g. Some manufacturers the follow the policy of dealers contest. The dealer who achieves maximum sales is given prizes.
   h. Some company offers higher allowances to the dealer when they achieve higher sales target.

Personal Selling or Salesmanship:

It is defined "Art of winning the buyer's confidence for seller's house & goods, thereby winning a regular & permanent customer."

Importance of Personal Selling:

The successful salesman creates a group of satisfied customers. He is considered to be the mirror of the company. Importance of salesmanship can be summarized by the following functions performed by a salesman.

1. To introduce new products to the market
2. To maintain the present customers group & to discover new customers.
3. To help the customers in deciding what to buy & what not to buy
4. To give firsthand information about the market to the manufacturer.
5. To act as a link between the producers & consumers.

Qualities of a Good Salesman:

It is very difficult to identify to identify all characteristics that make a good salesman. Taking into account who were successful in their job, psychologist have underlined the following basic qualities of a good salesman:

1. Physical Requirements: A good salesman must have a pleasing personality, He must be able to influence others.
2. Hunger for Money & Status: A contented salesman is always a liability to the co0mpany. Hunger for money & status forces a salesman to sell more so that he earns more.
3. Self-confidence: A successful salesman believes himself & has a high self-esteem. Self-confidence helps him to meet people to different types & different situations
4. Tendency to Compete with others: Competition not only improves morale, but also motivates a salesperson to sell more.

The other Qualities are:

1. He must be courageous, dependable, honest, courteous, cheerful & patient.
2. He should posses a pleasing personality.
3. He should have complete information about the product that he sells.
4. He should know the details of his company & its competitors.
5. He should have knowledge about the today's market, product he is selling.

Suitability: Personal selling is more suitable in the following cases:

1. When the market is limited
2. When efficient middlemen are not available
3. When a new product has to be introduced
4. When a product requires demonstration. Eg: Vacuum cleaner.
5. When a product requires personal attention before & after sales services.
6. When purchases are infrequent but valuable. Eg: Industrial goods.

Sales Management:

In simple words sales management refers to the overall management of sales. It is defined as planning, directing & controlling of selling activities of the company. It includes recruiting, selecting, training, equipping, assigning, supervising, paying & motivating the sales forces of the company.

Responsibility of Sales Management:

1. Analysis the market thoroughly.
2. To study the consumer's psychology
3. Careful analysis of the competitor's behaviour
4. To make sure that the right product is offered & sold
5. To find out whether the company can expand the market or introduce a new product.
6. To establish sales target.
7. To frame sales policies
8. To co-ordinate selling activities.
9. To plan the advertising campaign to develop sales promotion strategies.
10. To study market fluctuations

11. To conduct efficient market reservation.

Channels of Distribution (Physical Distribution)

Introduction:
One of the important problems of marketing is the distribution of goods & services to the right place, person & the right time. Manufacturers often find it difficult to decide about the effective distribution system. The channel of distributions refers to the group of intermediaries, which perform the distribution functions.

Definition:
According to Philip Kotler, "The distribution is the set of all firms & individuals that assist in the transferring the little of goods & services as they move from producers to customers."
It is also defined as "The root through which goods move from the place of production of the place of consumption."

Functions of the Channels:
1. Channels of distribution helps, the goods & services to move from the place of production to the place of consumption, hence they create place utility.
2. Goods are brought by the channels when they are needed. Hence they create time utility.
3. A channel reduces complexity in the distribution system
4. Inclusion of channel reduces the financial burden of the producers
5. They provide various services such as standardization, grading, etc.
6. They supply the market information to the producers
7. They help producers in promoting their sales.

Types of Channels
1. **Zero-level channel (producer to consumer):** It is also called as direct marketing or direct selling. This channel consists of the producer who directly sells his products to the ultimate consumers. This is the shortest, simplest, & cheapest form of distribution. Producers are benefited by increased profit, whereas consumers are benefited by reduced price. This is possible because it eliminates the middleman completely. With the development of sophisticated & efficient retailing like supermarkets, chain-stores, automatic selling machine are financially sound follow this channel of distribution. For products like jewelry & industrial goods like machinery, this is the best channel.
2. **One-Level Channel (Producers → Retailers → Consumers or producers → Wholesalers → Consumers):** This is a short channel where the manufacturer may himself perform some of the wholesaler. This is considered to be the best channel as it eliminates some of the marketing intermediaries & at the same time gets advantages of inclusion of retailers. In case of perishable goods, this is the best channel. When there is large scale promotion, inelastic demand & when manufactures are financially sound this channel is preferred.
3. **Two-Level Channel (Manufactures → Wholesalers → Retailers → Consumers):** This is the traditional channel. It is more useful in the case of buyers, sellers, & manufactures who operate in small scale. The manufacturer sells his products in large quantities to a wholesaler who in turn sells in small quantities to retailers & finally retailers sell to ultimate consumers. Products which have low unit value & which are purchased frequently may be distributed through this channel.
4. **Three Level Channel (Manufactures → Wholesalers → Agents → Retailers → Consumers):** In this method manufactures appoint agent such as consignees to sell their products. It is preferable for exporters or MNCs.

Factors Affecting the Selection of Channel
Selection of a particular channel depends on various factors. They are:

1. **Market Factors:**
    a. **Nature of the market:** When manufacturer produce consumer goods, the channel will be lengthy because the market will be large & spread throughout the country. Moreover, demand may be inelastic. In case of industrial goods, he can sell directly because buyers are concentrated in few places.
    b. Number of Companies: In case if buyers are limited in number, the manufacturer can directly sell to them. If consumers are scattered the manufacturers should go for larger channel.
2. **Product Factor:**
    a. **Unit Value of the Product:** Lower the value of the product longer will be the channel. Eg: Matchboxes, salt, etc.
    b. **Perishability:** In case of perishable products, the shortest channel should be used because they should be sold as quickly as possible. Eg: Fruits, Vegetables, Milk, etc.
    c. **Nature of Product:** If the product is highly technical in nature, the manufacturer sells it to the buyers. Eg: Computers, because such products require before & after sales services, which wholesalers, & retailers cannot provide. In case of consumer goods, which are technical in nature he may appoint sales agent. Eg: Motor Vehicle, TV, etc.
3. **Company Factors:**
    a. **Finance:** If the company is financially sound, it can sell its products directly to its consumers by maintaining its own warehouse, retail shops, etc.
    b. **Management Capability:** If the management is capable of handling the distribution function efficiently, it can prefer a shorter channel.

Methods of Distribution:
1. **Intensive Distribution:** It is a method of selling whereby a manufacturer distributes his products through a large number of retailers & in, as many places as possible. In this case, retailers control the distribution system. Usually, consumer's necessities are sold through this system.
2. **Selective Distribution:** In this case, manufacturer sells their products through few retailers. Even though this method is suitable to sell all products, it is usually followed in case of industrial goods & consumer shopping & luxury goods. Ex: Motor vehicle.
3. **Exclusive Method of Distribution:** In this case, the manufacturer sells his products only through a particular wholesaler or retailer. In other words, the manufacturer gives him the exclusive rights to distribute the products such a distributor is usually prohibited in dealing to the competitor's product.

Types of Channel Members:
A channel includes many middlemen. The term middlemen mean those individuals or institutions, which assists a producer in the transfer of ownership of goods to consumers. Following are some of the various kinds of middlemen:
1. **Agents:** These are the middlemen assist the buyers & the sellers in buying & selling of the goods without taking the ownership.
2. **Brokers:** These are the agents whose main function is to bring into contact between buyers & sellers. Their powers are limited as they cannot fix price, terms of sale, etc.
3. **Wholesalers:** The wholesaler is a middleman who buys from the producer directly & sells it to the retailers on a small scale for the purpose of resale.

Discount House: It is a kind of retail business dealing with consumer durables competing on the basis of price appeal with low margin & minimum consumer services.

Elimination of Middlemen or are middlemen necessary in the channels:
The channels of distribution are the means through which goods are passed on to consumers. In the process thy look on various marketing functions like financing, transportation, grading, standardization, risk-bearing, etc. to perform these functions they have to incur losses. Hence, the

services of middlemen will have to be paid either by the manufacturer or the consumer. Many manufacturers are trying to eliminate middlemen and have opted for direct selling because of improvement in retail techniques like automatic selling machines, telemarketing etc. It should be noted that even though Manufacturers can eliminate middlemen, they can't eliminate their functions. In other words functions performed by them must be taken over by the producers if the goods are to be maid available in the market.

Manufacturers try to eliminate middlemen to perform the functions of middlemen at the lowest possible cost and to serve the consumer best.

Arguments in Favor of Middlemen:

1. If there were no Middlemen, it would have been difficult for the producers and consumers to meet personally to buy and sell. Hence inclusion of middlemen reduces the complexities of the distribution function.
2. Many producers do not have the resources to sell their products directly to the consumers.
3. They perform some of the important marketing functions like standardization, grading, transportation, warehousing, etc this makes producers concentrate on their production activities.
4. It is the Middlemen who help in stabilizing the prices
5. It brings down the cost of production of some of the functions of the producers as they are taken over by the middlemen.
6. As they purchase on large scale they also bring down the storage cost
7. They provide important marketing information to the producers.
8. They create place and time utilities.

Arguments in Against of Middlemen:

1. They are considered as parasites who for one reason or another prevent the direct contact between producers and consumers. This mistakes producers ignorant of consumer's grievances which result in customer dissatisfaction which may bring down the sale.
2. Middlemen also manipulate the economy. This misleads both the consumers and producers.
3. Middlemen are also referred to as cost escalators. In other words, they unnecessarily increase the price of the product.
4. They often dictate the terms of marketing. In fact, the term 'Black Market' was the creation of middle men.
5. They are also referred to as fair weather Friends. In other words, they only sell those products which gives them maximum profits. They go on changing their Loyalties depending on the profitability.
6. In practice they do not perform any marketing function. They simply transfer ownership without shouldering any responsibility. To conclude, it can be said that many manufacturers regard middlemen as Evils. But, all of them can't eliminate middlemen. Hence they are considered as necessary Evil.