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MASTER OF BUSINESS ADMINISTRATION (HRM)

MBAH 102 : MARKETING MANAGEMENT

w.e.f Academic Session: 2023-24

CENTRE FOR DISTANCE AND ONLINE EDUCATION

UNIVERSITY OF SCIENCE & TECHNOLOGY MEGHALAYA

nirf India Ranking-2023 (151-200)

Accredited 'A' Grade by NAAC

Techno City, 9th Mile, Baridua, Ri-Bhoi, Meghalaya, 793101

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Self Learning Material
Center for Distance and Online Education
University of Science and Technology Meghalaya

First Edition
Print Jan 2024

Edited by: Dr. Swati Baishya

This book is a distance education module comprising of collection of learning material for students of Center for Distance and Online Education, University of Science and Technology Meghalaya, 9th Mile G S Rd, Ri Bhoi, Meghalaya 793101.

Printed and Published on behalf of Center for Distance and Online Education, University of Science and Technology Meghalaya by Publication Cell, University of Science and Technology Meghalaya – 793101

MBAH 102
MARKETING MANAGEMENT

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UNIT 1: INTRODUCTION TO MARKETING

1.1 CONCEPT OF MARKETING

Most of the people define marketing as selling or advertising. It is true that these are parts of the marketing. But marketing is much more than advertising and selling. In fact marketing comprises of a number of activities which are interlinked and the decision in one area affects the decision in other areas. To illustrate the number of activities that are included in marketing, think about all the bicycles being peddled with varying degree of energy by bicycle riders in India. Most bicycle are intended to do the same thing—get the rider from one place to another. But a bicyclist can choose from a wide assortment of models. They are designed in different sizes, with different frames for men and women and with or without gears. Trekking cycles have large knobby tyres, and the tyres of racing cycles are narrow. Kids want more wheels to make balancing easier; clowns want only one wheel, to make balancing more interesting. The variety of styles and features complicates the production and sale of bicycles. The following list shows some of the many things a firm like Atlas Cycles or Hero Cycles should do before and after it decides to produce a bicycle.

1. Analyze the needs of people who might buy a bicycle and decide if they want more or different models.

2. Predict what types of bicycles like handle bar styles, type of wheels, weights and materials different customers will want and decide to which firm will try to satisfy their need.

3. Estimate how many of these people will be riding bicycles over the next several years and how many bicycles they'll buy.

4. Predict exactly when these people will want to buy bicycles.

5. Determine where in the India these bicyclists will be and how to get the company's bicycles to them.

6. Estimate the price they are willing to pay for their bicycles and if the firm can make a profit selling at that price.

The above activities are not the part of production—actually making goods or performing services. Rather, they are part of a larger process—called marketing—that provide Marketing Management needed direction for production and helps make sure that the right goods and services are produced and find their way to consumers. In order to understand the concept of marketing, firstly you must understand what is “market” ?

1.2 MARKET

Market The term “market” originates from the Latin word “Marcatus” which means “a place where business is conducted.” A layman regards market as a place where buyers and sellers personally interact and finalise deals.

Depending upon what is involved, there are different types of markets which deals with products and/or services such as :

(1) Consumer Market: In this market the consumers obtain what they need or want for their personal or family consumption. This market can be subdivided into two parts—fast moving consumer goods market from where the consumers buy the products like toothpaste, biscuits, facial cream etc. and services like internet, transportation etc. Another is durables market from where, the consumers buy the products of longer life like motorcycles, cars, washing machines etc. and services like insurance cover, fixed deposits in the banks and non-banking financial companies etc.

(2) Industrial/Business Market: In this market, the industrial or business buyers purchase products like raw materials (iron ore, coke, crude oil etc.), components (wind-screen, tyres, picture tubes, micro-processors etc), finished products (packaging machine, generators etc.), office supplies (computers, pens, paper etc.) and maintenance and repair items (grease, lubricating oil, broom etc.). Apart from products, now-a-days due to outsourcing the industrial buyers also require a number of services like accounting services, security services, advertising, legal services etc. from the providers of these services.

(3) Government Market: In most of the countries central/federal, state or local governing bodies are the largest buyers requiring and number of products and services. Government is also the biggest provider of services to the people, especially in a developing country like India where army, railways, post and telegraph etc. services are provided by the Central Government and State Govt. and local municipality provides services like roadways and police and sewage and disposal and water supply respectively.

(4) Global Market: The world is rapidly moving towards borderless society thanks to information revolution and the efforts of WTO to lower the tariff and nontariff barriers. The product manufacturers and service providers are moving in different countries to sustain and

increase their sales and profits. Although the global companies from the developed countries are more in number (AT & T, McDonald's, Ford Motors, IBM, Sony, Citi Bank etc.)

(5) Non-profit Market: On one hand the society is making progress in every field, on the other hand the number of problems that it is facing are also increasing. Most of the people don't care for these problems due to variety of reasons such as—lack of awareness, lack of time, selfish nature etc. So in order to fill the void, the non-profit organisations came into being. These organisations support a particular issue or a charity and create awareness among the general public towards these issues and try to obtain financial and non-financial support. For example there are NGOs who are working towards the conservation of flora and fauna, Narmada Bachao Andolan, Chipko Andolan (to conserve the trees in Himalayan region) etc.

1.3 MARKETING

Numerous definitions were offered for marketing by different authors. Some of the definitions are as follows :

1. Creation and delivery of a higher standard of living. 2. Marketing is the process that seeks to influence voluntary exchange transactions between a customer and a marketer. —William G. Zikmund and Michael d'Amico.
2. Marketing consists of the performance of business activities that direct the flow of goods and services from producers or suppliers to consumers or end-users. —American Marketing Association
3. Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others. —Philip Kotler

1.4 SCOPE OF MARKETING

Marketing is typically seen as the task of creating, promoting and delivering goods and services to consumers and businesses. In fact, marketing people are involved in marketing 10 types of entities : goods, services, experiences, events, persons, places, properties, organizations, information and ideas. Marketing concepts can be used effectively to market these entities.

1. Goods—Good is defined as something tangible that can be offered to market to satisfy a need or want. Physical goods constitute the bulk of most countries production and marketing

effort. In a developing country like India fast moving consumer goods (shampoo, bread, ketchup, cigarettes, newspapers etc.) and consumer durables (television, gas appliances, fans etc.) are produced and consumed in large quantities every year.

2. Services—As economies advance, the share of service in gross domestic product increases. For example, in USA, service jobs account for 79% of all jobs and 74% of GDP. A service can be defined as any performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.

3. Experiences—By mixing several services and goods, one can create, stage and market experiences. For example water parks, zoos, museums etc. provide the experiences which are not the part of routine life. There is a market for different experiences such as climbing Mount Everest or Kanchanjunga, travelling in Palace on Wheels, river rafting, a trip to Moon, travelling in Trans Siberian Railways across five time zones etc.

4. Events—Marketers promote time–based, theme-based or special events such as Olympics, company anniversaries, sports events (Samsung Cup—India Pakistan Cricket Series), artistic performances (Lata Mangeshkar live concert, Jagjit Singh live concert), trade shows (International Book Fair at Pragati Maidan, Automobile fair), award ceremonies (Filmfare awards, Screen awards), beauty contests (Miss World, Miss Universe, Miss India, Miss Chandigarh), model hunts (Gladrags Mega Model). There is a whole profession of event planners who work out the details of an event and stage it.

5. Persons—Celebrity marketing has become a major business. Years ago, someone seeking fame would hire a press agent to plant stories in newspapers and magazines. Today most of cricket players like Sachin Tendulkar, Saurav Ganguly, Rahul Dravid etc. are drawing help from celebrity marketers to get the maximum benefit.

6. Places—Places–cities, states, regions and whole nations—compete actively to attract toutists, factories, company headquarters and new residents. India and China are competing actively to attract foreign companies to make their production hub. Cities like Bangalore, Hyderabad and Gurgaon are promoted as centre for development of software. Bangalore is regarded as software capital of India and Hyderabad is emerging as the hub of biotechnology industry. Gurgaon and Noida are competing for call centres to open their offices. Kerala,

Himachal Pradesh, Uttranchal Pradesh and Rajasthan and aggressively promoting themselves to attract local as well as foreign tourists.

7. Properties—Properties are intangible rights of ownership of either real property (real estate) or financial property (share and debt. instruments). Properties are bought and sold, and this requires marketing effort. Property dealers in India work for property owners or seekers to sell or buy plots, residential or commercial real estate.

8. Organizations—Organizations actively work to build a strong, favourable image in the mind of their publics. We see ads of Reliance Infocomm which is trying to provide communication at lower rates, Dhirubhai Ambani Entrepreneur programme to promote entreprenenrship among the Indians. Companies can gain immensly by associating themselves with the social causes. Universities and colleges are trying to boost their image to compete successfully for attracting the students by mentioning their NAAC grades in the advertisements and information brochures.

9. Information—Information can be produced and marketed as a product. This is essentially what schools, colleges and universities produce and distribute at a price to parents, students and communities. Encyclopaedas and most non-fiction books market information. Magazines such as Fitness and Muscle provide information about staying healthy, Business India, Business Today and Business World provide information about business activities that are taking place in various organizations.

10. Ideas—Film makers, marketing executives and advertising continuously look for a creative spark or an idea that can immortalise them and their work. Idea here means the social cause or an issue that can change the life of many. Narmada Bachao Andolan was triggered to bring the plight of displaced people and to get them justice. Endorsement by Amitabh Bachhan to Pulse Polio Immunization drive and pledge by Aishwarya Rai to donate her eyes after her death gave immense boost to these.

1.5 CORE CONCEPTS OF MARKETING

1.5.1 NEED, WANT, DEMAND

The marketer must try to understand the target market's needs, wants, and demands. Needs describe basic human requirements. People need food, air, water, clothing and shelter to survive. People also have strong needs for recreation, education, and entertainment. These needs become wants when they are directed to specific object that might sastisfy the need. An Indian needs food but wants a rice, chhapati's vegetable and dal. A person in Mauritius needs food but wants a mango, rice, lentils and beans. Wants are shaped by one's society. Demands are wants for specific products backed by an ability to pay. Many people want a big & beautiful house; only a few are able and willing to buy one. Companies must measure not only how many people want their product but also how many would actually be willing and able to buy it. These distinctions shed light on the frequent criticism that "marketers create needs" or "marketers get people to buy things they don't want." Marketers do not create needs : Needs preexist marketers. Marketers, along with other societal influences, influence wants. Marketers might promote the idea that a Mercedes would satisfy a person's need for social status. They do not, however, create the need for social status.

1.6 EVOLUTION OF MARKETING CONCEPT

Once upon a time, when the needs and wants were satisfied by the barter trade, there was no need for marketing. Two parties interested in each other's poducts simply negotiate with each other regarding the quantities of each product that must be exchanged. Even at the time of industrial revolution when the demand for different products was far greater than the supply, even in that scenario there was no need for marketing. In fact producers were focussed on production aspects. With the advancement of production technology and the increase in competition, the focus shifted through various. functional areas towards marketing. The evolution of marketing can be easily understood by understanding the company orientations toward the market place.

Clearly, marketing activities should be carried out under a well-thought-out philosophy of efficient, effective, and socially responsible marketing. However, there are five competing concepts under which organizations conduct marketing activities : the production concept, product concept, selling concept, marketing concept, and societal marketing concept.

A. The Production Concept

The production concept is one of the oldest concepts in business. l The production concept holds that consumers will prefer products that are widely available and inexpensive. Managers of production-oriented businesses concentrate on achieving high production efficiency, low costs, and mass distribution. They assume that consumers are primarily interested in product availability and low prices. This orientation makes sense in developing countries, where consumers are more interested in obtaining the product than in its features. It is also used when a company wants to expand the market. Some service organizations also operate on the production concept. Many medical and dental practices are organized on assembly-line principles, as are some government agencies (such as unemployment offices and licence bureaus). Although this management orientation can handle many cases per hour, it is open to charges of impersonal and poor-quality service. The Product Concept Other businesses are guided by the product concept.

B. The Product Concept

The product concept holds that consumers will favour those products that offer the most quality, performance, or innovative features. Managers in these organizations focus on making superior products and improving them over time. They assume that buyers admire well-made products and can appraise quality and performance. However, these managers are sometimes caught up in a love affair with their product and do not realize what the market needs. Management might commit the “better-mousetrap” fallacy, believing that a better mouse-trap will lead people to beat a path to its door. Product-oriented companies often design their products with little or no customer input. They trust that their engineers can design exceptional products. Very often they will not even examine competitors’ products. A General Motors executive said years ago: “How can the public know what kind of car they want until they see what is available?” GM’s designers and engineers would design the new car. Then manufacturing wouldmake it. The finance department would price it.

Finally, marketing and sales would try to sell it. No wonder the car required such a hard sell ! GM today asks customers what they value in a car and includes marketing people in the very beginning stages of design. The product concept can lead to marketing myopia. Railroad managemnet throught that travellers wanted trains rather than transportation and overlooked the growing competition from airlines, buses, trucks and automobiles. That happened in America and is likely to happen in India where middle class families are opting for their own vehicle. Slide-rule manufacturers thought that engineers wanted slide rules and overlooked the challenge of pocket calculators. Colleges, departmental stores, and the post office will assume that they are offering the public the right product and wonder why their sales slip. These organizations too often are looking into a mirror when they should be looking out of the window.

C. The Selling Concept

The selling concept is another common business orientation. l The selling concept holds that consumers and businesses, if left alone, will ordinarily not buy enough of the organization's products. The organization must, therefore, undertake an aggressive selling and promotion effort. This concept assumes that consumers typically show buying inertia or resistance and must be coaxed into buying. It also assumes that the company has a whole battery of effective selling and promotion tools to stimulate more buying. The selling concept is practised most aggressively with unsought goods, goods that buyers normally do not think of buying, such as insurance etc. These industries have perfected various sales techniques to locate prospects and hard-sell them on their product's benefits. The selling concept is also practised in the non-profit area by fund-raisers, college admissions offices, and political parties. A political party vigorously "sells" its candidate to voters. The candidate moves through voting precincts from early morning to late evening, shaking hands, kissing babies, meeting donors, and making speeches. Countless money is spent on radio and television advertising, posters, and mailings. The candidate's flaws are concealed from the public because the aim is to make the sale, not worry about post purchase satisfaction. After the election, the new official continues to take a sales-oriented view. There is little reaearch into what the public wants and a lot of selling to get the public to accept the politician the party wants.

D. The Marketing Concept

The marketing concept is a business philosophy that challenges the three business orientations we just discussed. Its central tenets crystallized in the mid-1950s. l The marketing concept holds that the key to achieving its organizational goals consists of the company being more effective than competitors in creating, delivering, and communicating customer value to its chosen target markets.

The marketing concept rests on four pillars : target market, customer needs, integrated marketing, and profitability. The selling concept takes an inside-out perspective. It starts with the factory, focuses on existing products, and calls for heavy selling and promoting to produce profitable sales. The marketing concept takes an outside-in perspective. It starts with a well-defined market, focuses on customer needs, coordinates all the activities that will affect customers, and produces profits by satisfying customers.

Target Market Companies do best when they choose their target market(s) carefully and prepare tailored marketing programs. Palmolive is offering different types of soaps depending on the different types of skins.

Customer Needs

A company can define its target market but fail to understand correctly the customers' needs. Understanding customer needs and wants is not always simple. Some customers have needs of which they are not fully conscious. Or they cannot articulate these needs. Or they use words that require some interpretation. What does it mean when the customer asks for an "inexpensive" car, a "powerful", a "fast" lathe, an "attractive" shirt, or a "restful" hotel Consider the customer who says he wants an inexpensive car. The marketer must probe further.

We can distinguish among five types of needs : 1. Stated needs (the customer wants an inexpensive car) 2. Real needs (the customer wants a car whose operating cost, not its initial price, is low) 3. Unstated needs (the customer expects good services from the dealer) 4. Delight needs (the customer would like the dealer to include a gift of a Indian road atlas. 5. Secret needs (the customer wants to be seen by friends as a savvy consumer). Reponding only to the stated need may shortchange the customer. Consider a woman who enters a hardware store and asks for a sealant to seal glass window panes. This customer is stating a solution, not a need. The salesperson might suggest that tape would provide a better solution. The customer may appreciate that the salesperson met her need, not her stated solution. A distinction needs to be drawn between responsive marketing, anticipative marketing and creative marketing. A responsive marketer finds a stated need and fills it. An anticipative marketer looks ahead into what needs customers may have in the near future. A creative marketer looks ahead into what needs customers may have in the near future. A creative marketer discovers and produces solutions customers did not ask for but to which they enthusiastically respond.

1.7 HOLISTIC MARKETING

What is Holistic Marketing? Holistic marketing considers a business and all its parts. It sees a business as one entirety. As a result, it gives a shared aim and purpose for each activity within a business. And to everyone related to it. It thinks about a business's place in the wider society. For example where does a business fit into the broader economy? And how does it impact the lives of its customers. Think of the human body that can only function when all parts are working together. In the same way, holistic marketing understands all the different parts of a business need to work together to operate at its optimum Consequently, this approach drives towards the alignment of your business's processes, services, systems and customer touch points. This creates a consistent and seamless customer experience on multiple channels. Principle Components of Holistic Marketing There are four main components within a holistic marketing model, each of which plays an important role in bringing everything together for a business. Internal Marketing Internal marketing refers to the internal management of system, the marketing department and the collaboration between the marketing department and other departments. Integrated Marketing Integrated marketing involves the pricing strategy, product strategy, placing strategy, promotion strategy and communication strategy. Performance Marketing Performance marketing is focused on different business activities, such as how to sell a product, brand and customer equity, and the ethical and legal responsibilities a business and product upholds. Relationship Marketing Relationship marketing is centered on the relationship you have with your customers, employees, partners and competitors. By considering these four different principle components, holistic marketing allows you to create a comprehensive business plan that covers the whole business system. Examples of Holistic Marketing Apple is one example of a company that successfully uses holistic marketing. Everything from how the products are developed with the customer in mind, to the stores being branded in a recognizable fashion, to the customer service being extremely quick, efficient and polite, Apple could be considered a master in using this strategy. Samsung is second example Benefits of Holistic Marketing Creates cohesiveness Rather than presenting diverging and conflicting information in different areas of your brand, holistic marketing brings your brand effectively 'under one roof,' presenting greater consistency and cohesiveness for your customers, even if you're a small business. Garners Good Results Holistic marketing makes a brand more consistent and cohesive across all aspects, marketing channels and messages. As a result, holistic marketing can help your small business get more out of its marketing efforts. All businesses possess different features which must be assessed and evaluated. It doesn't matter how big or small they are. So, businesses need a holistic marketing approach. Include the different systems, services, processes and customer touch points. The process can prove advantageous to small businesses as well as larger companies. The societal marketing concept This marketing philosophy is all about knowing your customers' needs, while also caring about the well-being of the society and the environment. It sees businesses as parts of society and promotes their participation in the solving of important issues, like pollution, world hunger, and illiteracy. With all the pollution issues that we've had in the past few months and climate change being in full swing, it is important that businesses show that they care about these issues, because if they seem like they don’t care, they might lose a lot of customers. Therefore, many businesses today donate and participate in all sorts of charities, as well as promote them.

1.8 MARKETING MIX

Marketing Mix Marketing is a process of creating and delivering value. What is the mechanism through which a marketer carries out the value delivery process ? The marketer delivers value to the customer basically through his market offer. He takes care to see that the offer fulfils the needs of the customers. He also ensures that the customer perceives the terms and conditions of the offer as more attractive, vis-a-vis other competing offers. How is this actually accomplished ? If we turn to the nuts and bolts of this task, we can see that in the first place, the marketer creates the product that will meet the identified needs of the consumer. Second, he carries out functions such as transportation, so that the product can conveniently reach the consumer. Third, he communciates the benefits of the offer to the consumer by carrying out various promotional activities such as personal selling, advertising and sales promotion. Lastly, he tackles the price mechanism and consummates the marketing task by arriving at a price that is acceptable to the consumer. These are the elements with which the marketer accomplishes his valuedelivering task. The four elements mentioned above—product, distribution, promotion and pricing— constitute the marketing mix of the firm. The marketing mix is the sole vehicle for creating and delivering customer value.

It was James Culliton, a noted marketing expert, who coined the expression marketing mix and described the marketing manager as a mixer of ingredients. To quote him. ‘The marketing man is a decider and an artist—a mixer of ingredients, who, sometimes follows a recipe developed by others and sometimes prepares his own recipe. And, sometimes he adapts his recipe to the ingredients that are readily available and sometimes invents some new ingredients, or, experiments with ingredients as no one else has tried before.’ The dynamics of the marketing process and the versatility of the marketing mix tool cannot be described any better.

The First Element—Product The term product refers to what the business or non-profit organization offers to its prospective customers or clients. The offering may be a tangible good, such as a car; a service, such as an insurance plan; or an intangible idea, such as the importance of donating eyes after the death. Product A good, service, or idea that offers a bundle of tangible and intangible attributes to satisfy consumers of marketing, because they can be controlled and manipulated by the market. Because customers often expect more from an organization than a simple, tangible product, the task of marketing management is to provide a complete offering—

a “total product”—that includes not only the basic good or service but also the “extras” that go with it. The core product of a D.T.C. may be rides or transportation, for exmaple, but its total product offering should include courteous service, buses that run on time, and assistance in finding appropriate bus routes. The product the customer receives in the exchange process is the result of a number of product strategy decisions. Developing and planning a product involves making sure that it has the characteristics and features customers want. Selecting a brand name, designing a package, developing appropriate warranties and service plans, and other product decisions are also part of developing the “right” product.

The Second Element—Place (distribution) : The element of the marketing mix that encompasses all aspects of getting products to the consumer in the right location at the right time. Place, or distribution, activities involve bridging the physical separation between buyers and sellers to assure that products are available at the right place. Determining how goods get to the customer, how quickly, and in what condition are decisions that are made to place products where and when buyers want them. Transportation, storage, materials handling, and the like are physical distribution activities. Selecting wholesalers and retailers or choosing to be an e-commerce company operating exclusively on the Internet are decisions about the structure and extent of distribution. The examples so far have shown that every organization engages in marketing. Not every organization, however, has the resources or ability to manage all the activities that make up the distribution process. Thus, organizations may concentrate on activities in which they have a unique advantage and rely on wholesalers, retailers, and various other specialists to make the distribution process more efficient.

The Third Element—Promotion

: The element of the marketing mix that includes all forms of marketing communciation. Marketers need to communicate with consumers. Promotion is the means by which marketers “talk to” existing customers and potential buyers. Promotion may convey a message about the organization, a product, or some other element of the marketing mix, such as the new low price being offered during a sale period. Simply put, promotion is marketing communication. Advertising, personal selling, publicity and sales promotion are all forms of promotion. Each offers unique benefits, but all are forms of communication that inform, remind, or persuade. For example, advertising that tells us “Thanda Matlab Coca-Cola” or “Chhotta Coke” reminds us of our experiences with a familiar cola. Or, when an IBM sales representative delivers a personal message during a sales presentation, this personal selling effort may be designed to explain how IBM's experience on the Internet and its computer servers help provide business solutions. The essence of all promotion is communication aimed at informing, reminding, or persuading potential buyers.

Different firms emphasize different forms of promotional communication, depending on their marketing objectives. Some firms advertise heavily, for example, whereas others advertise hardly at all. A firm's particular combination of integrated communication tools is its promotional mix.

THE FOURTH ELEMENT—PRICE The money—or something else of value—given in exchange for something is its price. In other words, price is what is exchanged for a product. The customer typically buys a product with cash or credit, but the price may be a good or service that is traded. In not-for-profit situations, price may be expressed in terms of volunteered time or effort, votes, or donations. Marketers must determine the best price for their products. To do so, they must ascertain a product's value, or what it is worth to consumers. Once the value of a product is established, the marketer knows what price to charge. However, because consumers' evaluations of a product's worth change over time, prices are subject to rapid change. According to economists, prices are always, "on trial." Pricing strategies and decisions require establishing appropriate prices and carefully monitoring the competititive marketplace. Price : The amount of money or other consideration—that is, something of value—given in exchange for a product.

THE ART OF BLENDINGTHE ELEMENTS

A manager selecting a marketing mix may be likened to a chef preparing a meal. Each realizes that there is no one best way to mix ingredients. Different combinations may be used, and the result will still be satisfactory. In marketing, as in cooking, there is no standard formula for a successful combination of ingredients. Marketing mixes vary from company to company and from situation to situation.

1.9 MARKETING ENVIRONMENT- GLOBAL AND INDIAN CONTEXT

Marketing Environment Competition represents only one force in the environment in which the marketer operates. The marketing environment consists of the task environment and the broad environment. The task environment includes the immediate actors involved in producing, distributing and promoting the offering. The main actors are the company, suppliers, distributors, dealers, and the target customers. Included in the supplier group are material suppliers and service suppliers such as marketing research agencies, advertising agencies, banking and insurance companies, transportation and telecommunications companies. Included with distributors and dealers are agents, brokers, manufacturer representatives, and others who facilitate finding and selling to customers. The broad environment consists of six components : demographic environment, economic environment, natural environment, technological environment, politicallegal environment, and social-cultural environment. These environments contain forces that can have a major impact on the actors in the task environment. Market actors must pay close attention to the trends and developments in these environments and make timely adjustments to their marketing strategies.

1.9.1 MACRO ENVIRONMENT

Any organization-be industrial and trading-operator within an external environment that it generally cannot control. Macro environmental forces have considerable influence on any organizations marketing system. These are Demography, Economic conditions, Competitions; Social and Cultural forces; Political and Legal forces and Technology. Hey are macro-environmental forces because change in any of them can change in one or more of the others. Therefore, they are closely interrelated. One things is certain that all these forces have one thing in common that they are dynamic forces which are subject to change and at an increasing rate per sec. this is clearly demonstrated by These six forces are largely uncontrollable by management. However these are not totally uncontrollable. A company may be able to influence its external environment to some extent. For instance, an international marketing company can improve its competitive position by a joint venture with a foreign firm that markets a complementary product. NOVARTIS is a fine example where two well known pharmaceutical companies namely ciba and Sandoz came together by merger. Another example is that of Brooke Bond and Lipton came together as Lipton Brooke Bond-renowned companies in tea and coffee beverages.

a) Demographic Forces

Demography is the study of human population and its distribution. Demography deals with people and people constitute market for company"s products. These demographic features relate to growth of population-birth and Death rates, Sex ratio, Age group, rate of literacy, ethnic group, density of population, rural and urban and so on. Thus, the total population consists more of old people and babies, there is more demand for medicines and walking sticks.

More younger generation component speaks of demand for personality improvement products. Quality of life is greatly influenced by rate of literacy and so on.

a) Economic Forces

Mere presence of people does not constitute market. We want people with money to spend and their willingness to spend. Hence, economic component features a force having significant impact as marketing activities. A marketing programme of a company is influenced by such factors which are both current and anticipated. These are, stage, of business cycle, inflation, rates of interest. A business cycle has a typical four stages namely prosperity, recession, depression and recovery. However, only two are mostly serious-prosperity or boom and depression or doom. Property is a period where organizations tend to extend and expand their marketing programs as they add new products and enter new markets. It is a period of rising demand, free money supply, optimistic mood of people to enjoy the goods and services as they have more disposable per capital income. In the other hand, depression is a period of stockpiles, restricted money supply, lack of demand, unemployment. Inflation is another component of economic forces. Inflation is a rise in the prices of goods and service. That is the value of a dollar or a rupee has come down. The purchasing power of a rupee or real value gets reduced. For same quantity and quality of goods, people are forced to pay higher prices. Inflation of wild dose is goods for everyone but wild rise is bad for the society particularly middle and poor class. That consumer spend less and less on luxuries, comforts and concentrate as basic necessities of living. this inflation poses a real problem in managing marketing programme in that as to how to price the products and how to control the costs.

b) Competition

Obviously the competitive environment is a major component affecting the marketing efforts. A wise and skillful marketing executive constantly monitors all aspects of competitor‟s marketing activities namely, their products, pricing, distribution system, promotion programmes and so on. As firms are going global, there is threat of external all foreign products in important areas like electronics, electrical, textiles, agro-based products and the like. The types of competition can be brand competition, substitute product competition, limited customer competition.

c) Social and Cultural Forces

The marketing cultural values and value systems are constantly changing affecting the present marketing programme. This component is made up of social and cultural forces. Social forces stand for social values of life and living the society of today can be divided into materialistic and spiritual values. The domestic or materialistic values say-life is short-beg, borrow or steal-but enjoy the life. While other group says think of simple living and high thinking because more and more needs and wants are the root causes of our miseries of life, and the other hand, cultural values are also changing as to clothing, shelter and day to day living. take one aspect that fashions and style movements change and the business house is to give those.

d) Political and Legal Forces

Each and every firm‟s control is influenced more and more by political and legal forces in the country. The political and legal forces prevailing in country can be grouped into at least five captions namely. (1). Monetary and fiscal policies: marketing systems are affected by the level of government spending, the money supply and its tax policies. (2) Social legislation and Regulation: Legislation affecting the environment –anti-pollution laws, protection of public life and the like. (3) Governmental relationship with the industries: This relates the treatment given by government in case of industries and industrial units in terms of subsidies and penalties. This also speaks of the encouragement and discouragement through incentives and finescontrolling and decontrolling. (4) Legislation related specifically to marketing: there are many acts and laws specifically applied in the area of marketing–that affect the working of these units.

(5) Source of information and buyer of the product. This area is one where governments at all levels publish information to help the executives as government is the bulk buyer in case of some common duties and services.

e) Technology

Technology has an immense impact on our daily life and life-styles, our consumption patterns and economic well-being. Just imagine the technological developments over the years of any commodity say watch, sport, radio, television, telephone, anit-bodies and think what would be the shape of the things to come after say 10 or 20 years. Perhaps the most important breakthrough is miniaturization of electronic products. Today, a hand held computer-smaller than laptop size-allows sales people to place orders directly from customers‟ location.

1.9.2 MICRO ENVIRONMENT

The external micro environment is made up of three basic forces that are external but are part of company‟s marketing system. These are the firm‟s market, suppliers and its marketing intermediaries. While they are generally controllable, these external forces can be influenced more than the macro forces so far discussed. For instance a marketing organization can exert pressure on its suppliers or middlemen. Through advertising, a firm has some influence on its market. Let us take up these three points for better understanding.

a) The market

As noted earlier, market really is what marketing is all about-how to reach it and serve it profitably and in a socially responsible manner. It goes without saying that market becomes the focus of all the marketing decisions in an organization. In this context, a market is a place where buyers and sellers meet, goods and services are offered for sale and transfer of title of the goods takes place .in other words, market is demand made by a certain group of potential buyers for a good or service. For example, there is a farm market for plastic products. In this context market is taken as people or organization with wants to satisfy, money to spend and the willingness to spend. That is market demand for a given good or service taken into account three points-people organization with wantspurchasing power-their buying behavior.

b) Suppliers

The marketing firm cannot sell unless it makes the products or buys it first. Suppliers are crucial to the firm‟s success because they supply these products which consumers want from the marketing houses. They are crucial because they supply those products what consumers want from the marketing house. They are crucial because they supply those products what consumers want consumers want from the marketing house. They are crucial because they take the responsibility of understanding consumers needs as viewed by selling or marketing firm. Marketing firm cannot sever the relations with suppliers as it cannot do so in case of its customers.

c) Marketing intermediaries

Marketing intermediaries are the independent individuals or organizations that directly help in the free flow of goods and service between marketing organizations and its markets. These are basically o two types, namely „merchant‟ and „agent‟. Merchant middlemen can be wholesalers and retailers. While agent middlemen can take five to six forms. These intermediaries render so important services that they cannot be removed and hence, become part and parcel of the system.

UNIT 2: CONSUMERS AND MARKETS

Consumer Behaviour is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the marketplace and the underlying motives for those actions. The study of consumer Behaviour assumes that the consumers are actors in the marketplace. The perspective of role theory assumes that consumers play various roles in the marketplace. Starting from the information provider, from the user to the payer and to the disposer, consumers play these roles in the decision process. Consumer Behaviour is a complex , dynamic, Multidimensional process and all marketing decisions are based on the assumptions about consumer Behaviour which includes communicating , Purchasing , and consuming , interacting.

2.1 MEANING AND DEFINITION OF CONSUMER BEHAVIOUR:

Consumer behaviour is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the marketplace and the underlying motives for those actions. OR Consumer behavior is the study of consumers and the processes they use to choose, use (consume), and dispose of products and services, including consumers' emotional, mental, and behavioral responses. Consumer behavior incorporates ideas from several sciences including psychology, biology, chemistry, and economics.

Why is consumer behavior important - Studying consumer behavior is important because these way marketers can understand what influences consumers' buying decisions. By understanding how consumers decide on a product they can fill in the gap in the market and identify the products that are needed and the products that are obsolete. Studying consumer behaviour also helps marketers decide how to present their products in a way that generates maximum impact on consumers. Understanding consumer buying behaviour is the key secret to reaching and engaging your clients, and converts them to purchase from you.

2.2 NATURE OF CONSUMER BEHAVIOUR:

1. It is Influenced by various factors:

i. Marketing factors such as product design, price, promotion, packaging, positioning and distribution.

ii. Personal factors such as age, gender, education and income level.

iii. Psychological factors such as buying motives, perception of the product and attitudes towards the product.

iv. Situational factors such as physical surroundings at the time of purchase, social surroundings and time factor

v. Social factors such as social status, reference groups and family

vi. Cultural factors, such as religion, social class—caste and sub-castes.

2. Undergoes a constant change: Consumer Behaviour is not static. It undergoes a change over a period of time depending on the nature of products.

3. Varies from consumer to consumer: All consumers do not behave in the same manner. Different consumers behave differently. The differences in consumer Behaviour are due to individual factors such as the nature of the consumers, lifestyle and culture.

4. Varies from region to region and country to county: The consumer Behaviour varies across states, regions and countries. It may differ depending on the upbringing, lifestyles and level of development.

5. Information on consumer Behaviour is important to the marketers: Marketers need to have a good knowledge of the consumer Behaviour. They need to study the various factors that influence the consumer Behaviour of their target customers. i.e. Product design/model, pricing, packaging, positioning, promotion of product etc.

6. Leads to purchase decision: A positive consumer Behaviour leads to a purchase decision. A consumer may take the decision of buying a product on the basis of different buying motives. The purchase decision leads to higher demand, and the sales of the marketers increase.

7. Varies from product to product: Consumer Behaviour is different for different products. There are some consumers who may buy more quantity of certain items and very low or no quantity of other items.

8. Improves standard of living: The buying Behaviour of the consumers may lead to higher standard of living. The more a person buys the goods and services, the higher is the standard of living. But if a person spends less on goods and services, despite having a good income, they deprives themselves of higher standard of living.

9. Reflects status: The consumer Behaviour is not only influenced by the status of a consumer, but it also reflects it. The consumers who own luxury products like luxury car, watches and other items are considered belonging to a higher status. The luxury items also give a sense of pride to the owners. Consumer: A Consumer is an individual who buys products or services for personal use and not for manufacture or resale . A Consumer may be a person or group of people such as a household and similar needs, not directly related to entrepreneurial or business activities who are the final users of products or services. Consumers are the basic economic entities of an economy. All the consumers consume goods and services directly and indirectly to maximise satisfaction and utility.

2.3 IMPORTANCE OF STUDYING CONSUMER BEHAVIOUR:

1. Modern Philosophy: It concerns with modern marketing philosophy – identify consumers' needs and satisfy them more effectively than competitors. It makes marketing consumer-oriented. It is the key to succeed.

2. Achievement of Goals: The key to a company's survival, profitability, and growth in a highly competitive marketing environment is its ability to identify and satisfy unfulfilled consumer needs better and sooner than the competitors. Thus, consumer Behaviour helps in achieving marketing goals.

3. Useful for Dealers and Salesmen: The study of consumer Behaviour is not useful for the company alone. Knowledge of consumer Behaviour is equally useful for middlemen and

salesmen to perform their tasks effectively in meeting consumers needs and wants successfully. Consumer Behaviour, thus, improves performance of the entire distribution system.

4. More Relevant Marketing Programme: Marketing programme, consisting of product, price, promotion, and distribution decisions, can be prepared more objectively. The programme can be more relevant if it is based on the study of consumer Behaviour. Meaningful marketing programme is instrumental in realizing marketing goals.

5. Adjusting Marketing Programme over Time: Consumer Behaviour studies the consumer response pattern on a continuous basis. So, a marketer can easily come to know the changes taking place in the market. Based on the current market trend, the marketer can make necessary changes in marketing programme to adjust with the market.

6. Predicting Market Trend: Consumer Behaviour can also aid in projecting the future market trends. Marketer finds enough time to prepare for exploiting the emerging opportunities, and/or facing challenges and threats.

7. Consumer Differentiation: Market exhibits considerable differentiations. Each segment needs and wants different products. For every segment, a separate marketing programme is needed. Knowledge of consumer differentiation is a key to fit marking offers with different groups of buyers. Consumer Behaviour study supplies the details about consumer differentiations.

2.4 FACTORS INFLUENCING CONSUMER BEHAVIOUR:

The behaviour of consumer is dependent on a number of factors which may be economic or non-economic factors and are dependent upon economic factors such as income, price, psychology, sociology, anthropology, culture and climate. The study of consumer behaviour has proved that following are the main factors which influence the behaviour:

1. Economic Factors: Price, Income, Distribution of Income, Competition with substitute , utility and Consumer preferences are the factors categorised as Economic factors .

2. Social Factors: Culture, Attitude of society, social values, Life-style, personality, Size of family, Education, health standards are the factors catagorised as Social factors.

3.Psychology : It decides the personality, taste, attitudes of individuals or groups, life style, preferences especially on occasions like marriage. The demonstration influence is also dependent upon psychology of an individual.

4.Anthropology & Geography: Climate, region, history all effect, consumer behaviour. In hot countries like India certain products which keep us cool like squashes, sarbatas, are demanded but they have no demand in cold regions. Culture is also influenced by climate. 5. Technology: In case of equipment's whether for consumer use or industrial use is affected by technological innovations and features. Even in case of perishable goods the shelf life etc are determined by technological developments. Innovations and introduction of new product also depends upon technological development. 6. Others: Knowledge-technical or otherwise and information. Government decisions, laws, distribution policies, production policies have also big affect on consumer behaviour.

2.5 EXTERNAL ENVIRONMENTAL FACTORS AFFECTING CONSUMER BEHAVIOR:

It is defined as a complex sum total of knowledge, belief, traditions, customs, art, moral law or any other habit acquired by people as members of society. Our consumer behavior, that is the things we buy are influenced by our background or culture. Different emphasis is given by different cultures for the buying, use, and disposing of products. People in South India have a certain style of consumption of food, clothing, savings, etc. This differs from the people in the North of India. Different cultures and habits are predominant in different parts of the world. Japanese have a different culture from that of USA, England or Arabian countries. Therefore, in consumer behavior culture plays a very important part.

• Sub-cultural Influences: Within a culture, there are many groups or segments of people with distinct customs, traditions and behavior. In the Indian culture itself, we have many subcultures, the culture of the South, the North, East and the West. Hindu culture, Muslim culture, Hindus of the South differ in culture from the Hindus of the North and so on. Products are designed to suit a target group of customers which have similar cultural background and are homogeneous in many respects.

- Social Class: By social class we refer to the group of people who share equal positions in a society. Social class is defined by parameters like income, education, occupation, etc. Within a social class, people share the same values and beliefs and tend to purchase similar kinds of products. Their choice of residence, type of holiday, entertainment, leisure all seem to be alike. The knowledge of social class and their consumer behavior is of great value to a marketeer.

- Social Group Influences: A group is a collection of individuals who share some consumer relationship, attitudes and have the same interest. Such groups are prevalent in societies. These groups could be primary where interaction takes place frequently and, consists of family groups. These groups have a lot of interaction amongst themselves and are well knit. Secondary groups are a collection of individuals where relationship is more formal and less personal in nature. These could be political groups, work group and study groups, service organisations like the Lions, Rotary, etc. The behavior of a group is influenced by other member of the group. An individual can be a member of various groups and can have varied influences by different members of groups in his consumption behavior. An individual can be an executive in a company, can be a member of a political party. He may be a member of a service organisation and of entertainment clubs and study circles. These exert different influences on his consumption.

- Family Influence: As has already been said, the family is the most important of the primary group and is the strongest source of influence on consumer behavior. The family tradition and customs are learnt by children, and they imbibe many behavioral patterns from their family members, both consciously and unconsciously. These behavior patterns become a part of children's lives. In a joint family, many decisions are jointly made which also leave an impression on the members of the family. These days the structure of the family is changing and people are going in more for nucleus families which consists of parent, and dependent children. The other type of family is the joint family where mother, father, grandparents and relatives also living together.

- Personal Influences: Each individual processes the information received in different ways and evaluates the products in his own personal way. This is irrespective of the influence of the family, social class, cultural heritage, etc. His own personality ultimately influences his decision. He can have his personal reasons for likes, dislikes, price, convenience or status. Some individuals may lay greater emphasis on price, others on quality, still others on status, symbol, convenience of the product, etc. Personal influences go a long way in the purchase of a product.

Internal or psychological factors: The buying behavior of consumers is influenced by a number of internal or psychological factors. The most important ones Motivation and Perception.

a)Motivation: A need becomes a motive when it is aroused to a sufficient level of intensity. A motive is a need that is sufficiently pressing to drive the person to act. motivation is the force that activates goal-oriented behavior. Motivation acts as a driving force that impels an individual to take action to satisfy his needs. So it becomes one of the internal factors influencing consumer behavior.

There can be of types of needs:

1. Biogenic needs: They arise from physiological states of tension such as thirst, hunger

2. Psychogenic needs: They arise from psychological states of tension such as needs for recognition, esteem In the words of William J Stanton, "A motive can be defined as a drive or an urge for which an individual seeks satisfaction. It becomes a buying motive when the individual seeks satisfaction through the purchase of something". A motive is an inner urge (or need) that moves a person to take purchase action to satisfy two kinds of wants viz. core wants and secondary wants.

b) Perception: Human beings have considerably more than five senses. Apart from the basic five (touch, taste, smell, sight, hearing) there are senses of direction, the sense of balance, a clear knowledge of which way is down, and so forth. Each sense is feeding information to the brain constantly, and the amount of information being collected would seriously overload the system if one took it all in. The brain therefore selects from the environment around the individual and cuts out the extraneous noise. In effect, the brain makes automatic decisions as to what is relevant and what is not. Even though there may be many things happening around you, you are unaware of most of them; in fact, experiments have shown that some information is filtered out by the optic nerve even before it gets to the brain.

People quickly learn to ignore extraneous noises: for example, as a visitor to someone else's home you may be sharply aware of a loudly ticking clock, whereas your host may be entirely used to it, and unaware of it except when making a conscious effort to check that the clock is still running. Therefore the information entering the brain does not provide a complete view of the world around you. When the individual constructs a world-view, she then assembles the remaining information to map what is happening in the outside world. Any gaps (and there will, of course, be plenty of these) will be filled in with imagination and experience. The cognitive map is therefore not a 'photograph'; it is a construct of the imagination. This mapping will be affected by the following factors:

1. Subjectivity: This is the existing world-view within the individual, and is unique to that individual.

2. Categorisation: This is the 'pigeonholing' of information, and the pre-judging of events and products. This can happen through a process known as chunking, whereby the individual organises information into chunks of related items. For example, a picture seen while a particular piece of music is playing might be chunked as one item in the memory, so that sight of the picture evokes the music and vice versa.

3. Selectivity: This is the degree to which the brain is selecting from the environment. It is a function of how much is going on around the individual, and also of how selective (concentrated) the individual is on the current task. Selectivity is also subjective: some people are a great deal more selective than others.

4. Expectation: These lead individuals to interpret later information in a specific way. For example, look at this series of numbers and letters: In fact, the number 13 appears in both series, but in the first series it would be interpreted as a B because that is what the brain is being led to expect

5.Past experience: This leads us to interpret later experience in the light of what we already know. Psychologists call this the law of primacy, Sometimes sights, smells or sounds from our past will trigger off inappropriate responses: the smell of bread baking may recall a village bakery from twenty years ago, but in fact the smell could have been artificially generated by an aerosol spray near the supermarket bread counter.

An example of cognitive mapping as applied to perception of product quality might run as follows. The consumer uses the input selector to select clues and assign values to them. For quality, the cues are typically price, brand name and retailer name. There are strong positive relationships between price and quality in most consumers' perceptions, and brand name and quality; although the retailer name is less significant, it still carries some weight.

For example, many consumers would feel confident that Big Bazaar would sell higher-quality items than the local corner shop, but might be less able to distinguish between Food Bazaar and Giant hyper store. The information is subjective in that the consumer will base decisions on the selected information. Each of us selects differently from the environment and each of us has differing views. Information about quality will be pigeonholed, or categorised: the individual may put Scoda Octavia in the same category as Mercedes Benz or perhaps put Sony in the same slot as Aiwa.

2.6 DIFFERENT BUYING ROLES OF CONSUMERS

Buying roles refer to the activities that one or more person(s) might perform in a buying decision.

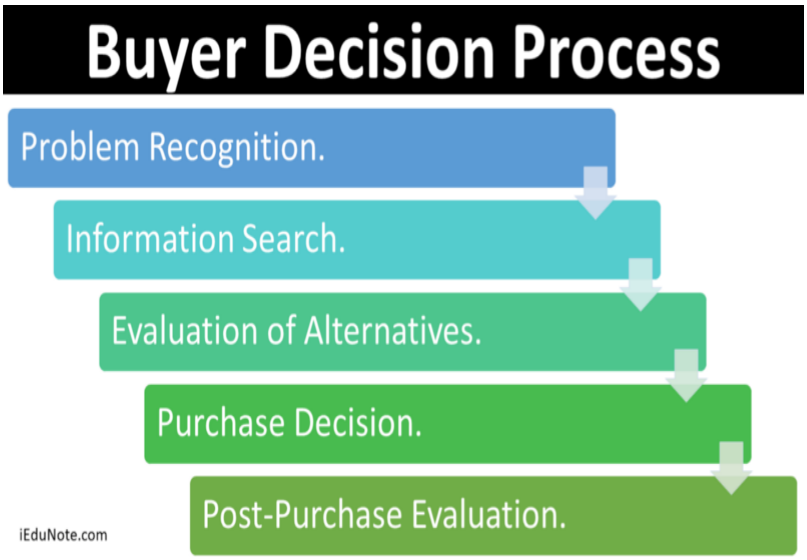
- **Initiator** :The person who determines that some need or want is not being met.
- **Influencer** : The person who intentionally/unintentionally influences the decision to buy the actual purchase and/or use of product or service.

- **Buyer** : The person who actually makes the purchase.
- **User** : The person who actually uses or consumes the product or service.

2.7 STAGES OF PURCHASE DECISION

The most important environment in which firms operate is their customer environment because the basic belief of marketing oriented company – that the customer is the centre around which the business revolves. Therefore, marketing people need to understand the processes that their customers go through when making decision. The consumer decision making process involves series of related and sequential stages of activities. The process begins with the discovery and recognition of an unsatisfied need or want. It becomes a drive. Consumer begins search for information. This search gives rise to various alternatives and finally the purchase decision is made. Then buyer evaluates the post purchase behavior to know the level of satisfaction. The process is explained below with the help of diagram.

Steps In Decision Making Process



1. Need Recognition When a person has an unsatisfied need, the buying process begins to satisfy the needs. The need may be activated by internal or external factors. The intensity of the want will indicate the speed with which a person will move to fulfill the want. On the basis of need and its urgency, the order of priority is decided. Marketers should provide required information of selling points.

2. Information Search Identified needs can be satisfied only when desired product is known and also easily available. Different products are available in the market, but consumer must know which product or brand gives him maximum satisfaction. And the person has to search out for relevant information of the product, brand or location. Consumers can use many sources e.g., neighbors, friends and family. Marketers also provide relevant information through advertisements, retailers, dealers, packaging and sales promotion, and window displaying. Mass media like news papers, radio, and television provide information. Nowadays internet has become an important and reliable source of information. Marketers are expected to provide latest, reliable and adequate information.

3. Evaluation of Alternatives :This is a critical stage in the process of buying. Following are important elements in the process of alternatives evaluation a. A product is viewed as a bundle of attributes. These attributes or features are used for evaluating products or brands. For example, in washing machine consumer considers price, capacity, technology, quality, model and size. b. Factors like company, brand image, country, and distribution network and after-sales service also become critical in evaluation. c. Marketers should understand the importance of these factors with regards to the consumers while manufacturing and marketing their products.

4. Purchase Decision: Outcome of the evaluation develops likes and dislikes about alternative products or brands in consumers. This attitude towards the brand influences a decision as to buy or not to buy. Thus the prospective buyer heads towards final selection. In addition to all the above factors, situational factors like finance options, dealer terms, falling prices etc., are also considered.

5.Post- Purchase Behavior: Post-purchase behavior of consumer is more important as far as marketer is concerned. Consumer gets brand preference only when that brand lives up to his expectation. This brand preference naturally repeats sales of marketer. A satisfied buyer is a silent advertisement. But, if the used brand does not yield desired satisfaction, negative feeling will occur and that will lead to the formation of negative attitude towards brand. This phenomenon is called cognitive dissonance. Marketers try to use this phenomenon to attract users of other brands to their brands. Different promotional-mix elements can help marketers to retain his customers as well as to attract new customers

2.8 BUSINESS BUYER

a) What is Business Buyer Behaviour?

Business buyer behaviour is the intent and behaviour shown by companies and employees into making purchases for the organization. Business buying behaviour is the concept of understanding the needs and wants of a business and making appropriate purchases, which ultimately help a company get profits.

Companies have specific roles allotted to employees, who responsible for making business purchases. This role is often known as business buyer. Business buyer behaviour can be understood on the basis of the business buying process, which helps companies to get the best raw material & goods, which can be processed to get maximum output and returns.

A business buyer is one who engages in the purchase or acquisition of a part or the entire business organization.They are responsible for the buying raw materials done for the company which are used for business processes and for making the final products.

b) Business buyer roles & responsibilities

There are certain duties of an employee as a business buyer which are as below:

2 Understand and evaluate the needs of the company
3 Understand the various sellers, the quality of products they are offering and the price offered by them
4 Business buyer is responsible for understanding the benefit with respect to the price, for the products the company wants to buy
5 They have to ensure that the orders are placed properly, shipments are done on time, quality of the products is high and that after purchase services are also given to the company.

c) Influence on business buyers

There are many factors which influence the business buyer behaviour and his / her decision making.

1. Organizational factors:

Companies' objectives and policies define the type of products needed. Procedures to acquire the products are in place along with the structure and systems. All these factors influence the business buyer.

2. Interpersonal factors:

Motives and perceptions of an employee are important guiding factors along with the personal preferences.

Types of Business Buyers

Producers: Producers are companies that purchase goods and services that they transform into other products. They include both manufacturers and service providers.

Resellers: Resellers are companies that sell goods and services produced by other firms without materially changing them. They include wholesalers, brokers, and retailers.

Governments: They contract with companies that provide citizens with all kinds of services from transportation to garbage collection.

Institutions :Institutional markets include nonprofit organizations. Like government and for-profit organizations, they buy a huge quantity of products and services. Holding costs down is especially important to them. The lower their costs are, the more people they can provide their services to.

Business markets vs. Consumer markets

Business Marketing: Business Marketing refers to the sale of either products or services or both by one organization to other organizations that further resell the same or utilize to support their own system.

Consumer Marketing: on the other hand refers to the transaction of goods and services between organizations and potential customers.

Consumer Markets

Consumer markets refers to the markets where people purchase products for consumption and are not meant for further sale. Each time a consumer purchase a commodity for his own usage he is participating in a consumer market. In consumer market purchasers make their own decisions to purchase the products and these products can be used for personal use or can be shared with others.

Business market

Business market refers to all those organizations that purchase goods or services for the purpose of utilization in the manufacturing of other products or services. The wholesaling & retailing firms are also included in the category of business market.

2.8.1 DIFFERENCE BETWEEN BUSINESS MARKET & CONSUMER MARKET

- **Market Structure & Demand**

The demand for the business markets and business products also tends to fluctuate, which only implies that the demand for business market products can change relatively quickly than the demand for consumer goods or services.

- **Nature of buying unit**

Participants in the business purchase tend to buy more and there are more participants On the other hand, participants in the consumer purchase are often less.

- **Decisions process**

The decisions revolving around the business market are somewhat complex than decisions made by the consumer markets. This is primarily because of the intensive process that involves technical and economic considerations .

UNIT 3: SEGMENTATION, TARGETING, POSITIONING

3.1 INTRODUCTION

The segmentation concept was first developed by Smith in 1957, and is concerned with grouping consumers in terms of their needs. The aim of segmentation is to identify a group of people who have a need or needs that can be met by a single product, in order to concentrate the marketing firm's efforts most effectively and economically. For example, if a manufacturer produces a standardised product by a mass-production method, the firm would need to be sure that there are sufficient people with a need for the product to make the exercise worthwhile.

The assumptions underlying segmentation are:

- Not all buyers are alike.
- Sub-groups of people with similar behaviour, backgrounds, values and needs can be identified.
- The sub-groups will be smaller and more homogeneous than the market as a whole.
- It is easier to satisfy a small group of similar customers than to try to satisfy large groups of dissimilar customers.

Targeting is concerned with choosing which segments to aim for. Segmentation is essentially about dividing up the market; targeting is about the practicalities of doing business within the market. The two are clearly closely linked, since the segmentation process will usually provide information as to which segments are likely to prove most profitable, or will help the firm achieve its strategic objectives in other ways. Positioning is concerned with the brand's relationship with other brands aimed at the same segment. Positioning is about the place the brand occupies in the minds of the consumers, relative to other brands.

3.2 REASONS FOR SEGMENTING MARKETS

Each consumer is an individual with individual needs and wants. On the face of it, this creates a major problem for the marketer, since it would clearly be impossible to tailor-make or customise each product to the exact requirements of each individual. Before the Industrial Revolution most products were individually made. This proved to be expensive, and essentially inefficient once mass-production techniques had come into being. Unfortunately, mass-production (taken to the extreme) means a reduction in the available choice of product, since the best way to keep production costs low is to have long production runs, which means standardising the product. Every adaptation costs money in terms of re-tooling and re-packaging the product. In some economies, particularly those in parts of Eastern Europe and in the Third World, there is not sufficient wealth or investment in industry to allow for the production of many different types of product. These economies still rely heavily on mass production, and mass marketing. Mass marketing (or undifferentiated marketing) in which a standard product is produced for all consumers will only be effective if the consumers concerned have little choice and do not already own a product that meets the main needs. For example, in 1930s Germany few families owned cars. Hitler promised the German people that every family would own a car, so Porsche was commissioned to develop the Volkswagen (literally 'people's car') as a basic vehicle, which could be cheaply produced for the mass market. This approach is less effective in economies where most consumers already own the core benefits of the product. Once car ownership was widespread and the core benefit of personal transportation was owned by most families, consumers demanded choices in features and design of their vehicles. Segmentation deals with finding out how many people are likely to want each benefit, roughly how much they will be willing to pay for it, and where they would like to buy it from. In this way, the firm approaching a segmented market is able to offer more functional benefits and more attention to hedonic needs, i.e. the products are more fun.

In order to make these adaptations worthwhile, marketers need to be reasonably sure that there is a large enough market for the product to be viable economically. On the other hand, concentrating on a smaller segment means that economies can be made in the supplier's communications activities; rather than advertise to a mass market, for example, the marketer would be better off concentrating resources on producing an advert that is tailored to the target segment – an ad, in other words, designed for the ideal customer and no other. The reason for this is that consumers are surrounded by advertising messages. Consequently consumers learn to avoid advertisements, and particularly to avoid ones that are clearly never going to be of any interest. At the same time, consumers will go out of their way to find out about products they have some interest in, often by reading special-interest magazines. Therefore an advertisement that is tailored to a specific group of consumers, and that appears in a medium that those consumers use, is likely to be far more effective than an untargeted advertisement in a general-interest medium.

Overall, the main purpose of segmenting is to enable the company to concentrate its efforts on pleasing one group of people with similar needs, rather than trying to please everybody and probably ending up pleasing nobody.

3.3 SEGMENTATION VARIABLES

A segment must fulfil the following requirements if it is to be successfully exploited:
• It must be measurable, or definable. In other words, there must be some way of identifying the members of the segment and knowing how many of them there are.
• It must be accessible. This means it must be possible to communicate with the segment as a group, and to get the product to them as a group.
• It must be substantial, i.e. big enough to be worth aiming for.
• It must be congruent, that is to say the members must have a close agreement on their needs.
• It must be stable. The nature and membership of the segment must be reasonably constant.
The three key criteria are accessibility, substance and measurability, but it is important also to look at the causes underlying the segmentation. This enables the marketer to anticipate changes more easily and sometimes to verify that the segmentation base is correctly defined.

There are many bases for segmenting, but the following are the main ones:

• **Geographic.**
Where the consumers live, the climate, the topology, etc. For example, cars in California almost always have air-conditioning; cars in Sweden have headlights that stay on constantly because of the poor quality of the light for much of the year. Geographic segmentation is very commonly used in international marketing, but is equally useful within single nations.

• **Psychographic.**
Based on the personality type of the individuals in the segment. For example, the home insurance market might segment into those who are afraid of crime, those who are afraid of natural disasters, and those who are afraid of accidental damage to their property.

• **Behavioural**.

This approach examines the benefits, usage situation, extent of use and loyalty. For example, the car market might segment into business users and private users. The private market might segment further to encompass those who use their cars primarily for commuting, those who use their cars for hobbies such as surfing or camping, and those who use the car for domestic duties such as shopping or taking children to school. The business market might segment into 'prestige' users such as managing directors and senior staff, or high-mileage users such as salespeople.

• Demographic.

Concerned with the structure of the population in terms of ages, lifestyles, economic factors. For example, the housing market can be divided into first-time buyers, families with children, older retired people, and elderly people in sheltered accommodation; equally, the market could be segmented according to lifestyle, with some accommodation appealing to young professionals, some appealing to country-lovers, and so forth. Geographic segmentation Geographic segmentation may be carried out for a number of reasons.

• The nature of the product may be such that it applies only to people living within a specific area, or type of area. Clothing manufacturers know that they will sell more heavy-weather clothing in cold coastal areas than in warm inland areas.

• If the company's resources are limited, the firm may start out in a small area and later roll out the product nationally.

• It might be that the product itself does not travel well. This is true of sheet glass, wedding cakes and most personal services such as hairdressing. Markets may be segmented geographically according to the type of housing in the area. Firms that supply products specifically aimed at elderly people may wish to locate (or at least concentrate their marketing efforts) in retirement areas. Products aimed at young people might be heavily marketed in university towns, and so forth.

Psychographic segmentation

Psychographic segmentation classifies consumers according to their personalities. As the reliability of measures has improved, more evidence has come to light of links between personality and consumer behaviour, but psychographic segmentation remains problematical because of the difficulties of measuring consumers' psychological traits on a large scale. This type of segmentation therefore often fails on the grounds of accessibility. For example, researchers might find out that there is a group of people who relate the brand of coffee that they buy to their self-esteem. The problem then is that there is no obvious medium in which to advertise this feature of the coffee: if there were a magazine called Coffee Makes Me Feel Good Monthly there would be no problem. The advertisers are therefore left with the mass media, such as TV advertising, which may be far too expensive for the purpose. Some of the most creative ideas in marketing have revolved around ways of gaining access to such segments.

Behavioural segmentation

Behavioural segmentation can be a useful and reliable way of segmenting. At its most obvious, if the firm is marketing to anglers they are not interested in how old the anglers are, what their views are on strong drink, or where they live. All the firm cares about is that they go fishing, and might therefore be customers for a new type of rod. Accessing the segment would be easily undertaken by advertising in the angling magazines. At a deeper level the firm might be interested in such issues as where they buy their fishing tackle, how much they usually spend on a rod, what kind of fish they are after, and so forth, but this information is easily obtained through questionnaire-type surveys.

Lifestyle analysis has been widely used for the past 30 years or so, and seeks to segment markets according to how consumers spend their time, what their beliefs are about themselves and about specific issues, and the relative importance of their various possessions (e.g. cars, clothes, homes). The attraction of this approach is that it takes account of a wide range of characteristics of the segment,encompassing some psychographic features and some behavioural features.

Demographic segmentation

Demographic segmentation is the most commonly used method of segmenting markets, probably because it is easy to pick up the relevant information from government statistics. Demographics is the study of how people differ in terms of factors such as age, occupation, salary and lifestyle stage. Typically, demographic segmentation revolves around age. While this is relevant in many cases, it is often difficult to see the difference between, say, a 20-year-old's buying pattern and a 30-year-old's buying pattern. Equally, it cannot be said with much reliability that all 10-year-olds share the same tastes. There are undoubtedly 10-year-olds who would not want to visit Disneyland or Luna Park, and 10-year-olds who would prefer duck à l'orange to a hamburger.

Age is, of course, relevant but it should be included as part of a range of measures, not relied upon on its own, demographic variables are shifting over time, as the birth rate falls and the average age of the population rises. In addition, the number of single-person households is rising as people marry later and divorce rates increase: in 2001, single-person households represented 30% of UK households.7 The implications of this one change for marketers are far-reaching; here are some of the possibilities:

• Increase in sales of individual packs of food.
• Increase in sales of recipe products and ready meals.
• Decrease in sales of gardening equipment and children's items.
• Increase in sales of mating-game items.
• Decrease in family-sized cars, packs of breakfast cereal, cleaning products, etc. In Australia, immigration from South-East Asia is causing major changes in eating habits, religious observances and the linguistic structure of the country. In some cases, marketing activities have themselves contributed to a cross-fertilisation of cultural behaviour, so that individuals from one ethnic group behave in ways more usually associated with another group. This culture swapping means that ethnic and racial segmentation is no longer possible in most cases. Overall, demographic change means that new segments are emerging, some of which offer greater opportunities to marketers than do the segments they replace. Marketers need to monitor these changes in the demography if they are to remain able to segment the market effectively. Not all segmentation variables will be appropriate to all markets. A pizza company might segment a market geographically (locating in a town centre) but would not segment by religion; the situation would be reversed for a wholesale kosher butcher. This is despite the fact that both firms are in the food business. Single-variable segmentation is based on only one variable, for example size of firm. This is the simplest way to segment, but is also the most inaccurate. To achieve multivariable segmentation, several characteristics are taken into account. The more characteristics are used, the greater the accuracy and effectiveness, but the smaller the resulting markets.

3.4 TARGETING

Once the firm has identified its market-segment opportunities, it must decide how many and which ones to target. Marketers combine several variables in an effort to identify smaller, better-defined target groups.
A target market is a specific group of people that the marketer want to reach through your marketing campaign.

Having divided the market into segments, managers must decide which segment will be the best to target, given the firm's overall objectives. Normally managers would choose the most profitable segment, but equally a firm may decide to aim for a particular segment of the market that is currently neglected, on the grounds that competitors are less likely to enter the market. The process of selecting a segment to aim for is called targeting. There are three basic strategic options open to marketers.

1 .Concentrated marketing (single segment). This is also known as niche marketing;. The niche marketer concentrates on being the very best within a single tiny segment.

2.Differentiated marketing (multisegmented) means concentrating on two or more segments, offering a differentiated marketing mix for each. Holiday Inn aims to attract business travellers during the week, but aims for the leisure market at the weekend, and promotes to families. At the weekend, the hotels often have events for children and special room rates for families.

3.Undifferentiated marketing is about using a 'scattergun' approach. The producers who do this are usually offering a basic product that would be used by almost all age groups and lifestyles. For example, the market for petrol is largely undifferentiated. Although oil producers occasionally try to differentiate their products by the use of various additives and detergents, the use of petrol is much the same for everybody, and there would not appear to be any relationship between segmentation variables and petrol use. It would be difficult to imagine any real adaptation to the product that would meet people's needs sufficiently well to merit a premium price. Such examples of undifferentiated products are increasingly rare; even the producers of such basic commodities as salt and flour have made great strides forward in differentiating their products (i.e. meeting consumers' needs better). The decision regarding which strategy to adopt will rest on the following three factors:

- the company’s resources,
- the product’s features and benefits,
- the characteristics of the segment(s)

Clearly if resources are limited the company will tend to adopt a concentrated marketing approach. This is the approach taken by the UK firm High and Mighty, a menswear retailer that specialises in clothing for exceptionally tall and exceptionally large men, and has become highly successful even though their market (men over 6 ft 4 in [1.9 metres] tall, or over 25 stone [160 kg] in weight) is actually very small in absolute terms. The reason for the success is that men of this size are not catered for at all by the big chain retailers, and the alternative used to be to have everything tailor-made. High and Mighty is able to produce in sufficient quantities to keep prices reasonable (though considerably higher than chain store prices) while still catering for its segment. A higher level of resourcing coupled with a range of segments to approach will lead to a differentiated approach, and a simple made-for-everybody type product will lead to an undifferentiated approach.

Companies with a small resource base are often unable to make their voices heard in mass markets simply because they cannot afford the level of promotional spend. They therefore need to segment, perhaps by starting out in a small area of the country (geographical segmentation) and gradually spreading nationwide as resources become available.

The marketing strategy should be tailored to fit the intended audience: this means that each of the seven Ps, and every element of the promotion mix, needs to be built around the segment. Accurate targeting is best achieved by carrying out detailed market research into the needs and wants of the target group. In this way the company is able to decide what to offer the target audience to improve on the competitors’ offering. Note that three factors are being taken into account here. Firstly, what do the consumers in the target segment need? Secondly, what is already available to them? Thirdly, what can the firm offer that would be better than what is currently available?

Choosing the right market and then targeting it accurately are possibly the most important activities a marketer carries out. Choosing the wrong segment to target, or still worse not attempting to segment the market at all, leads to lost opportunities and wasted effort. Accessing the target market is another issue that deserves attention. For a segment to be viable, it needs to be accessible via some communications medium or another: the segment may comprise people who read a particular magazine or watch a particular TV station. If there is no way to reach the segment, it cannot become a target market. In some cases the segment is defined by the medium: for example, Cosmopolitan readers represent a group of independently minded women with career aspirations, usually with high disposable incomes or aspirations in that direction, and interests that are more likely to run to business issues than to knitting patterns. These women represent a valuable market segment in their own right, but can probably only be easily identified as a group because they read Cosmopolitan.

3.5 MICHAEL PORTER FIVE FORCES MODEL

Michael Porter has identified five forces that determine the intrinsic long-run attractiveness of a market or market segment.

1. Threat of intense segment rivalry—A segment is unattractive if it already contains numerous, strong, or aggressive competitors.
2. Threat of new entrants—The most attractive segment is one in which entry barriers are high and exit barriers are low. Few new firms can enter the industry, and poorly performing firms can easily exit.
3. Threat of substitute products—A segment is unattractive when there are actual or potential substitutes for the product. Substitutes place a limit on prices and on profits. If technology advances or competition increases in these substitute industries, prices and profits are likely to fall.
4. Threat of buyers' growing bargaining power—A segment is unattractive if buyers possess strong or growing bargaining power.
5. Threat of suppliers' growing bargaining power—A segment is unattractive if the company's suppliers are able to raise prices or reduce quantity supplied. Suppliers tend to be powerful when they are concentrated or organized, when they can integrate downstream, when there are few substitutes.

3.6POSITIONING

Positioning is the act of designing a company's offering and image to occupy a distinctive place in the minds of the target market.The goal is to locate the brand in the minds of consumers to maximize the potential benefit to the firm.

A good brand positioning helps guide marketing strategy by clarifying the brand's essence, identifying the goals it helps the consumer achieve, and showing how it does so in a unique way.

Positioning has been defined as:

'The place a product occupies in a given market, as perceived by the relevant group of customers; that group of customers is known as the target segment of the market.' Usually positioning refers to the place the product occupies in the consumer's perceptual map of the market: for instance as a high-quality item, or as a reliable one, or perhaps as a cheap version. The product is positioned in the perceptual map alongside similar offerings; this is a result of the categorisation and chunking processes . Consumers build up a position for a product based on what they expect and believe to be the most pertinent features of the product class.
Marketers therefore need to find out first what the pertinent features of the products are in the target consumers' perceptions. The marketer can then adjust the mix of features and benefits, and the communications mix, to give the product its most effective position relative to the other brands in the market. Sometimes the positioning process is led by the consumers, sometimes by the marketers. Research shows that consumers use a relatively short list of factors in determining the position of a product. These are as follows:

• Top-of-the-range. This refers to the product which consumers believe to be the most expensive or 'the best'. In the UK, this is often called 'the Rolls-Royce of …' whichever product type is under discussion.
• Service. The service levels which surround the product can be an important factor.
• Value for money. This is the degree to which the product's benefits represent a fair exchange for the price being asked.
• Reliability. Products are often positioned as being more (or less) reliable than their competitors.
• Attractiveness. This can refer to factors other than appearance, but implies factors other than the purely practical, performance-related factors.
• Country of origin. Some countries have a reputation for producing the best examples of some categories of product. For example, German engineering is highly regarded, whereas the French are known for their food and wine.

• Brand name. Branding is a key issue in positioning, as it identifies the product and conveys an impression of its quality .
• Selectivity. The degree to which the consumer can distinguish between brands and select from the range is a factor in positioning

Ultimately, product positioning depends on the attitudes of the particular target market, so the marketer must either take these attitudes as they are and Positioning tailor the product to fit those attitudes, or must seek to change the attitudes of the market. Usually it is easier and cheaper to change the product than it is to change the consumers, but sometimes the market's attitudes to the product are so negative that the manufacturer feels constrained to reposition the product.

For example, Skoda cars had to fight hard to throw off the negative connotations of the vehicle's Eastern European origins. Not wishing to be classed with Ladas, Yugos and Polski Fiats and thus share the perception of poor workmanship and unreliability, Skoda made great efforts to emphasise Volkswagen's takeover of the company and to position the car next to VW in the consumer's mind. Skoda has pointed out that, under the auspices of VW ownership, the company's quality control and engineering procedures have been greatly improved. Skoda was, in any case, the jewel in the crown of Eastern European car manufacture, so the firm has been able to demonstrate that the cars are made to a high standard.

It should be noted that these positions are based on average responses from consumers in the target groups. They are not objective, nor are they based on the firm's view of the quality of its products. For this reason, they can sometimes be changed by promotional efforts. Far more commonly, though, the firm will need to do something more practical about changing the product or changing its price to make the necessary changes.

Positioning can be done in the following ways:

- **By product attribute** : A product attribute is a specific feature or benefit of the product. Positioning in this way focuses on one or two of the product's best features/benefits, relative to the competitive offerings.
- Hero Cycles Ltd. positions first, emphasizing durability and style for its cycle. most toothpaste insists on 'freshness' and 'cavity fighter' as the *product* characteristics.

- **By user** : This positioning approach highlights the user (the ideal or representative target consumer) and suggests that the product is the ideal solution for that type of person and may even contribute to their social self-identity.
- **Against competition** :With this approach the firm would directly compare (or sometimes just imply), a comparison against certain well-known competitors (but not generally not the whole product class as above).
- A good example of this would be Colgate and Pepsodent. Colgate when entered into the market focused on to family protection but when Pepsodent entered into the market with focus on 24 hour protection and basically for kids, Colgate changed its focus from family protection to kids teeth protection which was a positioning strategy adopted because of competition.
- **By quality or value**: Some firms will position products based on relative high quality, or based on the claim that they represent significant value.
- **Value or Price Positioning.** A high-priced item creates the psychological effect of value, whereas the low-priced item can play up the benefits of affordability.
- Lets take an example and understand this approach just suppose you have to go and buy a pair of jeans, as soon as you enter in the shop you will find different price rage jeans in the showroom say price ranging from 350 rupees to 2000 rupees. As soon as look at the jeans of 350 Rupees you say that it is not good in quality.

UNIT 4: MARKETING MIX

4.1 UNDERSTANDING THE PRODUCT

Product Level

Philip Kotler, devised a model that recognises customers have five levels of need, ranging from functional or core needs to emotional needs. The model considers that products are a means to an end to meet the various needs of customers. The model also recognises that products are merely a means to satisfy customers' varying needs or wants.

In planning its market offering, the marketer needs to address five product levels:

- The **fundamental level** is the **core benefit**: the service or benefit the customer is really buying.
- For example, the core benefit of a hotel is to provide somewhere to rest or sleep when away from home.
- At the **second level**, the marketer must turn the core benefit into a **basic product**.
- In our hotel example, this could mean a bed, towels, a bathroom, a mirror, and a wardrobe.
- At the **third level**, the marketer prepares an **expected product**, a set of attributes and conditions buyers normally expect when they purchase this product.
- In our hotel example, this would include clean sheets, some clean towels, Wi-fi, and a clean bathroom.
- At the **fourth level**, the marketer prepares an **augmented product** that exceeds customer expectation.
- In our hotel example, this could be the inclusion of a taxi service or a free map of the town in every room.
- At the **fifth level** stands the **potential product**, which encompasses all the possible augmentations and transformations the product or offering might undergo in future.
- In our hotel, this could mean a different gift placed in the room each time a customer stays. For example, it could be some chocolates on one occasion,and satisfy the delight & surprise need of the customer.

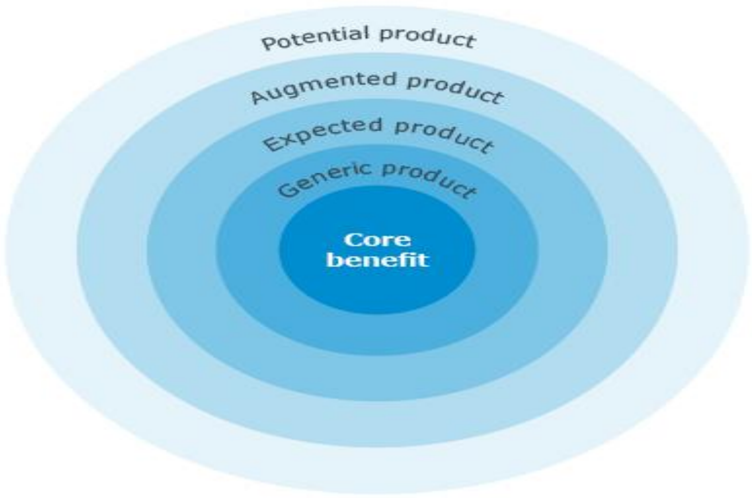


Fig: 4.1 Product level

Example of Product Level

1. Core Benefit: The core benefit of Coca-Cola is to quench a thirst.
2. Generic Product: The generic product is a burnt vanilla smelling, black, carbonated, and sweetened fizzy drink.
3. Expected Product: The expected product is that the customer's Coca-Cola is cold.
4. Augmented Product :Coca-Cola's augmented product is that it offers Diet-Coke. How does Coca-Cola exceed customers expectations with this product? By offering all the great taste of Coca-Cola, but with zero calories.
5. Potential Product: One way in which Coca-Cola delights customers is by running competitions. The prizes in these competitions are often things that, "money can't buy", such as celebrity experiences. To continue to delight customers over time the competition prizes change frequently.

4.2 PRODUCT LIFE CYCLE

A product life cycle is the length of time from a product first being introduced to consumers until it is removed from the market. A product's life cycle is usually broken down into four stages; introduction, growth, maturity, and decline.

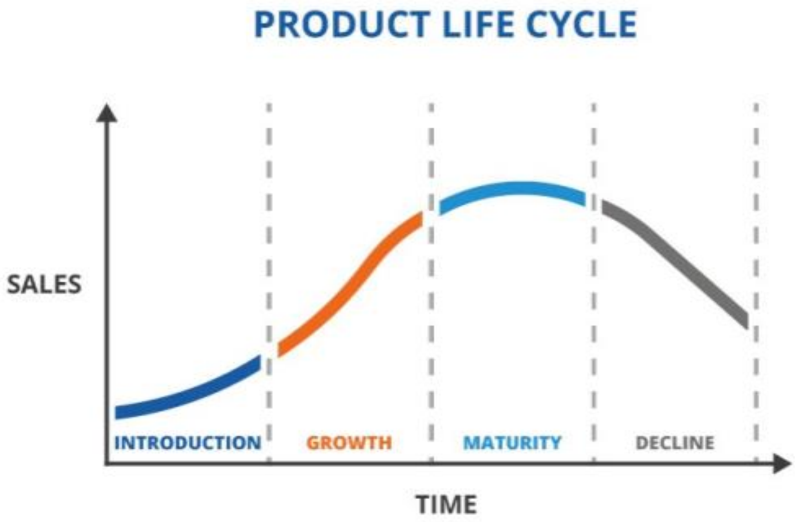


Fig 4.2: Product Life Cycle

4.3 SIGNIFINANCE OF PCL

Product life cycles are used by management and marketing professionals to help determine advertising schedules, price points, expansion to new product markets, packaging redesigns, and more. These strategic methods of supporting a product are known as product life cycle management. They can also help determine when newer products are ready to push older ones from the market.

4.4 STAGES IN PLC

1.Market Introduction and Development : This product life cycle stage involves developing a market strategy, usually through an investment in **advertising and marketing** to make consumers **aware** of the product and its benefits.At this stage, sales tend to be **slow** as demand is created. This stage can take time to move through, depending on the complexity of the product, how new and innovative it is, how it suits customer needs and whether there is any competition in the marketplace.

2.Market Growth : If a product successfully navigates through the market introduction it is ready to enter the growth stage of the life cycle. This should see **growing demand promote** an increase in production and the product becoming more widely available.The steady growth of the market introduction and development stage now turns into a sharp upturn as the **product takes off**. At this point competitors may enter the market with their own versions of your product – either **direct copies** or with some improvements.

Branding becomes important to maintain your position in the marketplace as the consumer is given a choice to go elsewhere. **Product pricing** and **availability** in the marketplace become important factors to continue driving sales in the face of increasing competition.

To sustain rapid market share growth now, the firm:

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

3.Market Maturity: At this point a product is established in the marketplace and so the cost of producing and marketing the existing product will decline. As the product life cycle reaches this mature stage there are the beginnings of market saturation. Many consumers will now have bought the product and competitors will be established, meaning that branding, price and product differentiation becomes even more important to maintain a market share.

4.Market Decline:Eventually, as competition continues to rise, with other companies seeking to emulate your success with additional product features or lower prices, so the life cycle will go into decline. Decline can also be caused by new innovations that supersede your existing product.Many companies will begin to move onto different ventures as market saturation means there is no longer any profit to be gained. Of course, some companies will survive the decline and may continue to offer the product but production is likely to be on a smaller scale and prices and profit margins may become depressed.

Characteristics of different stages can be summarized as under:

Identifying Features	Stages			
	Introduction	Growth	Maturity	Decline
Sales	Low	High	High	Low
Investment Cost	Very High	High(Lower than intro stage)	Low	Low
Competition	Low or no competition	High	Very High	Low
Advertising	Very High	High	High	Low
Profit	Low	High	High	Low

4.5 NEW PRODUCT DEVELOPMENT

The new product development process is a systematic guide for all budding businesses and entrepreneurs that will help them come up with a customer-oriented, high-quality product that has the best chance of doing well in the highly competitive markets.

Stage 1: Idea Generation

The first stage in the product development process is idea generation. In this stage, the company comes up with many different and unique ideas based on both internal and external sources.

Internal idea sources more often than not refer to the in-house research and development teams of the company and external sources refer to competitor innovations, the customer wants, distributors and suppliers, and so on. The company thereby focuses on coming up with as many feasible ideas as possible.

Stage 2: Idea Screening

The next stage involves the screening of this often-large set of ideas. The primary objective of this stage is to focus on ideas that are in line with the company's customer value and financial goals. The stage focuses on the filtering out of ideas that are poor or are not feasible and retain those that have good potential. This is to ensure that the company does not face losses by moving ahead with fickle ideas that do not promise adequate returns.

Stage 3: Concept Development & Testing

The third of the product development process steps is concept development and testing. In this stage, the good product ideas must be developed into detailed product concepts that are conveyed in consumer-oriented terms. The concept must be made in order to project the product in terms of how it is **perceived by consumers** and how it will potentially be **received in the market** and by which set of potential customers. This concept must then be tested by presenting it to the target consumers and their response must be taken into account.

Stage 4: Development of Marketing Strategy

The new product development process in marketing is covered in stage four. In this step, the company tries to come up with strategies to introduce a promising product into the market. The company must therefore come up with the price, potential revenue figures as well as advertising and distributing channels in this step.

Stage 5: Business Analysis

The product concept is put through a vigorous business analysis or test in order to ascertain **projected sales and revenue** and also assess risk and whether the production of the product is financially feasible. The **company's objectives** are considered and if these are satisfied, the product is moved on to the next step.

Stage 6: Product Development

This is the step that comes after the management of a company declares a product concept to be in line with the goals of the company and issues green light for development. **The research and development wing of the company** then works on the product concept for many months and even years in some cases, to come up with a working and functional prototype of the product concept.

Stage 7: Test Marketing

In this stage of the new product development process and involves the testing of the product and its suggested marketing program in realistic market settings. This stage provides an insight into how the product will be introduced into the market, advertised, produced, packaged, distributed, and eventually sold to the customers, and therefore any optimizations if required can be made by the company.

Stage 8: Commercialization

The final step of the product development process is that of commercialization. Based on the information gathered during the test marketing process, the business management may either decide to go ahead with the launch of the product or put it on the backburner. In case the go-ahead is given, the product is finally introduced into the market and this process is called commercialization. This stage often leads to massive costs in terms of initial infrastructural investments as well as sales promotions and advertisements.

4.6 PRODUCT MIX

Product Mix, another name as Product Assortment, refers to a number of products that a company offers to its customers. For example, a company might sell multiple lines of products, with the product lines being fairly similar, such as toothpaste, toothbrush, or mouthwash, and also other such toiletries. A product mix is the total number of product lines and individual products or services offered by a company. Additionally referred to as *product assortment* or *product portfolio.* Product mixes vary from company to company. Some have multiple product lines with lots of products in each line.

A product mix strategy has four dimensions:

Width: Total number of product lines a company offers.

Length: Total number of products in a company's product mix.

Depth: Total number of product variations in a product line.

Consistency : Indicates how product lines relate to one another.

4.7 IMPORTANCE OF PRODUCT MIX

The product mix of a firm is crucial to understand as it exerts a profound impact on a firm's brand image. Maintaining high product width and depth diversifies a firm's product risk and reduces dependence on one product or product line. With that being said, unnecessary or **non-value-adding product** width diversification can hurt a brand's image. For example, if Apple were to expand its product line to include refrigerators, it would likely have a negative impact on its brand image with consumers.

In regard to a firm expanding its product mix:

- Expanding the width can provide a company with the ability to satisfy the needs or demands of different consumers and diversify risk.
- Expanding the depth can provide the ability to readdress and better fulfill current consumers.

Key Product Mix Strategies

Expansion: A company increases the number of product lines or depth (i.e., product variations) within lines.

Contraction: A company narrows its product mix to eliminate lower-performing products or lines or to simplify remaining products or lines.

Change an Existing Product: A company improves a current product rather than creating a completely new product.

Product Differentiation: Without modifying the product in any way, a company positions it as a superior choice to a competitive product.

4.8 Brand & Branding

A brand is an intangible marketing or business concept that helps people identify a company, product, or individual.In simple words we can define brand as "a type of product manufactured by a particular company under a particular name".

Branding is the process where a business makes itself known to the public and differentiates itself from competitors. Branding typically includes a phrase, design or idea that makes it easily identifiable to the public.

Branding is the process of communicating a unique selling proposition, or differential, that sets a product or service apart from the competition. Examples of branding techniques include the **use of logos, taglines, jingles or mascots**.

Why is Branding Important?

Establishes your company within an industry: The right brand identity can potentially help the company get established within the industry.

Conveys your purpose to consumers: Your brand is also important because it helps convey the value that your products or services can provide for consumers.

Increases company awareness: Having a strong and recognizable brand could potentially attract new customers.

Reminds existing customers of your products and services: Your brand can also help remind existing customers about what you have to offer.

ELEMENTS OF BRANDING

BRAND NAME :Refers to the word, phrases or words used to identify the company, product, service or concept and other core values of the brand, consumers are willing to pay more for products marked with these legendary brand names.

LOGO: A logo is a visual trademark that identifies the brand with its design elements. It helps to know the brand without even a brand name written with it.

THEME LINE: A catchy theme line/tagline is very important to create a brand identity and strengthen the brand position. Most importantly, great taglines/theme lines are long-lasting because of their uniqueness and impact. For instance, here are some of the best brand theme lines:

- McDonald's – "I'm lovin' it."
- L'Oreal – "Because you're worth it"
- Coca-Cola – "Open Happiness"

COLOR: Brands also differentiate themselves in the market with the help of colors they use. For instance, red is the color for KFC, their outlets have red as a prominent color, and their sales staff also wears red. Similarly, Subway uses green as its unique color.

GRAPHICS: A lot of brands stand out from their competitors due to their unique graphics. Graphics don't mean the logos; instead, they are the product designs that make a brand look different.

SOUND: Unique tones, notes, or sounds can also help brands to differentiate themselves. For example, if you are a sports fan, you will be able to recognize ESPN's SportsCenter introduction after listening to the first two notes.

How to choose Brand Name?

Generally, there are six main characteristics for choosing your band elements for your business.

- **Memorability – Easy to Remember**

Brand elements should be easy-to-remembering and must be able to grab the attention of the customers or potential customers. Brand elements with high memorability make the consumption or purchasing process easier. Moreover, shorter brand names easily stuck in the minds of the target audience.

- **Meaningfulness – A Portrayal of The Brand**

Meaningfulness, in this regard, means that the brand name or elements should be descriptive about the product. Brand elements should portray or describe the category of a specific brand **product**.

- **Likeability – Make It Likable**

It is not mandatory that brand elements should be directly related to the brand. They can be interesting, colorful, and fun. In fact, these characteristics can be very helpful in creating a brand identity. Not to mention, they can reduce the burden of marketers to a great extent.

- **Transfer-Ability – Ability to Expand**

Transfer-ability means how much a brand can expand its product line. There can be an extension in the same category or even in other categories. Apart from that, the brand elements should be able to create a brand identity without any restrictions of geographical boundaries.

- **Adaptability – The Extent of Flexibility**

The term adaptability simply means how much a brand can adapt to the changing market trends. Greater adaptability means the brand can easily cope-up with changing customer opinions and market trends.

- **Protect ability**

Last but not least, brand elements should be easy to defend or protect legally. That said, brand elements should be designed in such a way that a company can easily defend and protect those elements in local or international markets legally.

4.9 PRICING :

Pricing is one of the 4 Ps of marketing mix. Price is the only element in the marketing mix that generates revenue while the other elements (product, promotion and distribution), represent costs. Second, price is the most flexible of all the elements as price adjustments can be quickly made to meet competition, to take advantage of temporary shortages, etc. Pricing and price competition have been rated as the number one problem facing marketing executives.

Price represents the sum of values the consumers exchange for the benefit of possessing the product or service, the key to pricing is understanding the set of values that the consumer perceives the product/service. These values are related not only to the tangible features of a product, but also to intangible ones. Thus, some consumers may be happy with "low" price, some with "high" price, some would like to bargain, and some others will buy only during "sales" or in supermarkets or departmental stores or at duty-free shops or during weekly fair.

According to Prof. K.C. Kite, “Pricing is a managerial task that involves establishing pricing objectives, identifying the factors governing the price, ascertaining their relevance and significance, determining the product value in monetary terms and formulation of price policies and the strategies, implementing them and controlling them for the best results”.

4.10 METHODS OF SETTING PRICE

1. **Cost Oriented Pricing**: These strategies revolve around the cost of the product and expected returns and usually a pre determined profit goal is set to arrive at the price. These are mainly three broad categories of cost oriented pricing.

A). Mark up Pricing : In this method the selling price of the product is fixed by adding a margin to its cost prices. The mark ups may vary depending on the nature of the product and the market.

B). Absorption Cost Pricing: This method uses standard costing techniques and works out the variable and fixed costs involved in manufacturing ,selling & administering the product. It rests on the estimated unit cost of the product at the normal level of production & sales.

C**) Marginal Cost Pricing**: Marginal costs include all the direct variable costs of the product. In marginal cost pricing along with the variable costs a portion of the fixed cost is also realised but not in full. If the price is set higher than the marginal costs the surplus can be used to pay off the fixed costs. Marginal cost pricing is likely to be most appropriate where demand fluctuates considerably frequently.

2. **Market/Demand oriented Pricing Strategy:**

These pricing strategies are used based upon the customer's requirements and customer's responses. The basic idea in all the demand based methods is that sales and profits can be independent of costs but are dependent on the demand and hence, pricing should be related to demand.

Demand based pricing comprises of mainly two types:

Skimming Pricing: this method literally skins the market in the first instance through high price and subsequently settles down for a lower price. In other words, it aims at high price and high profits in the early stage of marketing the product.

Penetration Pricing : As the name suggest, it seeks to achieve greater market penetration through relatively low prices. It is the opposite of skimming pricing. Penetration pricing is suitable for firms facing stiff price competition just at the introduction of the product as it helps the product obtain a good market coverage.

Competitor Oriented Pricing strategy: These are based upon an expectation of the competitor's response. These methods rest on the principle of competitive parity in the matter of pricing. Competition based pricing however not necessarily mean matching competition in price.

Three policy options are available under this method:

A) Premium Pricing which means pricing above the level adopted by competitors

B) Discount Pricing which means pricing below the level adopted by competitors.

C)Parity Pricing/going rate pricing which means to match competitors pricing specially when supply is more than adequate to meet demand & consumers are well aware of their choices.

4.11 FACTORS AFFECTING PRICEING

A. INTERNAL FACTORS:

1. Marketing Objectives and Pricing Objectives of the company:

- Pricing objectives may be as stated earlier – profit objectives (return on sales investment and maximisation of profits), sales objectives (increasing sales volume and increasing market share) and maintenance objectives (price stabilisation and matching the competition).

2. Marketing Mix Strategy:

Price of a product or service is highly influenced by other elements of marketing mix. The **product life cycle** through which the product is passing through, or the kind of sale). In the introductory product life cycle or liberal returns policy, the price is likely to be high. **If the product requires services and those services are to be provided free**, naturally the product will be highly priced.

3. Costs:

Cost of a product is the single most important factor to influence the final price. Six steps need to be identified while evaluating cost-price structure:

i. Define the existing price structure;

ii. Identify the prices of competing products for each item in the product line;

iii. Decide which product items need attention;

iv. Calculate the profitability of the current product/service mix.

4. Organizational considerations:

All the marketers are to make profit. Profit is a function of costs, demand, and revenue. Hence their relationship must be understood by pricing managers. The costs may be fixed costs and variable costs. Break-even analysis is one unique technique to understand relationship between cost and price.

B. EXTERNAL FACTORS

1.Nature of the market and demand: What is the expectation of the market about the product or services? What is the demand level for the product at different prices?To understand demand, the supplier or marketer prepares demand curves for the product at different prices.

2. Competition: There might be pure competition (Many buyers and Sellers Who Have Little Effect on the Price), Monopolistic Competition (Many Buyers and Sellers Who Trade over a Range of Prices), Oligopolistic Competition (Few Sellers Who Are Sensitive to Each Other's Pricing/ Marketing Strategies), or Pure Monopoly (Single Seller) and in each situation price determination will be different.

3. Other Environmental Factors (economy, resellers, & government): Economic Conditions, Reseller Needs, Government Actions, Social Concerns do play an important role in price fixation.Inflation in economy is an important factor in pricing. In India during the last two years the inflation has been a great burden on the common man and even the government has failed to do anything. During recessionary conditions, the price level also drops, to maintain the same level of turnover. Presently due to increased interest rate by Reserve Bank of India, the manufacturers have to pay a higher cost of capital which will be reflected in the price to be charged.

4.Willingness to Pay: Knowledge of consumers' reservation price ("the price at which a consumer is indifferent between buying and not buying the product") or willingness to pay ("reservation price at which the consumer's utility begins to exceed the utility of the most preferred item") is central to any pricing decision. Willingness to pay is important not only for pricing but equally important for new product development, value audits and competitive strategy.

5. Positioning Strategy: Positioning strategy involves the choice of target market and the creation of a differential advantage. Price can be used to convey this differential advantage and to appeal to a certain market segment. Price is a powerful positioning tool for many people as an indicator of quality, especially in products like drinks, perfume, and services where quality can't be assessed before consumption.

4.12 INTEGRATED MARKETING COMMUNICATION

Integrated marketing communication refers to integrating all the methods of brand promotion to promote a particular product or service among target customers. In integrated marketing communication, all aspects of marketing communication work together for increased sales and maximum cost effectiveness. It is essential for organizations to promote their brands well among the end-users not only to **outshine competitors** but also **survive in the long run**. Brand promotion increases awareness of products and services and eventually increases their sales, yielding high profits and revenue for the organization.

Integrated Marketing Communications (IMC) is a concept under which a company carefully integrates and coordinates its many communications channels to deliver **a clear and consistent message**. It aims to ensure the consistency of the message and the complementary use of media.

IMC Tools

The eight major Integrated Marketing Communication tools are as follows:-

Advertising

- Advertising refers to any paid form of non-personal promotion of products or services by an identified sponsor. The various media used are print (newspapers and magazines), broadcast (radio and television), network (satellite, wireless and telephone), electronic (web page, audio and videotape) and display (billboards, signs and posters).The primary advantage of advertising is that it reaches geographically dispersed consumers. Consumers generally tend to believe that a heavily advertised brand must offer some 'good value' but at the same time, advertising proves to be an expensive form of promotion.

Sales promotion

It is a variety of short-term incentives to **encourage trial** or purchase of a product or service. It may include *consumer promotions* – focused towards the consumer – such as a distribution of free samples, coupons, offers on purchase of higher quantity, discounts and premiums or *trade promotions* – focused on retailers – such as display and merchandising allowances, volume discounts, pay for performance incentives and incentives to salespeople.Sales promotion helps to **draw** the **attention** of the consumers and offers an invitation to engage in a transaction by giving various types of **incentives**.

Personal Selling

Face-To-Face interaction with one or more buyers for the purpose of making presentations, answering questions and taking orders. This proves to be the most effective tool in the later stages of the buying process.The advantage is that the message can be customized to the needs of the buyer and is focused on building a **long-term relationship** with the buyer.

Public Relations

A variety of programs directed toward **improving the relationship** between the organisation and the public. Advertising is a one-way communication whereas **public relations is a two-way communication** which can monitor feedback and adjust its message for providing maximum benefit. A common tool used here is publicity which capitalizes on the news value of the product or service so that the information can be disseminated to the news media.

Direct Marketing

Direct Marketing involves the use of mail, telephone, fax, e-mail, or internet to communicate directly with or solicit response or dialogue from specific customers or prospects. Shoppers have started relying on credit cards and online purchasing more than ever which makes it essential for marketers to approach the consumers directly thus helping them in the purchase process.

Events and Experiences

These are company sponsored activities and programs designed to create brand-related interactions with customers. Sponsorships improve the visibility of the company. Companies provide customers with an experience of using the product which ends up leading to a higher brand recall than competitors. These events prove to be engaging with the audience.

Social Media Marketing

The concept of social media marketing basically refers to the process of promoting business or websites through social media channels. Companies manage to get massive attention on such channels and can interact with consumers as and when they are browsing the internet.

New and modern ways of communications are developing on these social media platforms and are proving to be the future of promotions. They have the ability to be highly interactive and up to date with the customers.

Mobile Marketing

Mobile marketing involves communicating with the consumer via a mobile device, either to send a simple marketing message, to introduce them to a new participation-based campaign or to allow them to visit a mobile website.Cheaper than traditional means for both the consumer and the marketer, mobile marketing really is a streamlined version of online marketing the use of which is increasing as time progresses. Examples are advertisements that we see on mobile applications.

4.13 ROLE OF MARKETING COMMUNICATION

Marketing Communication can be defined as the methodologies and tactics adopted by the companies to convey the messages in a unique and creative manner to their existing and prospective customers about their offerings of products and services. The messaging communication is either direct or indirect in nature with an intention to **persuade** the customers to indulge in the purchase of the products and services.The various channels and platforms of marketing communication include Google promotions, print advertisements, television commercials, social media marketing, PR exercises, blogging, content marketing, and participation in trade fairs and exhibitions amongst others.

Marketing communication can be defined as the use of various communication channels like print media, radio, television, emails, events, brochures, etc. to fulfill the goals of marketing. There are various marketing communication methods that one can choose from.

Marketing communication refers to activities **deliberately focused on promoting an offering among target audiences**. Integrated marketing communication is the the process of coordinating all this activity across different communication methods.

The basic objectives of all marketing communication methods are (1) to **communicate**, (2) to **compete**, and (3) to **convince**.

4.14 MARKETING CHANNEL

A marketing channel consists of the people, organizations, and activities necessary to transfer the ownership of goods from the point of production to the point of consumption. It is the way products get to the end-user, the consumer; and is also known as a distribution channel. Marketing channels are focused on the availability of products or services to prospective customers. Intermediaries are the people or organizations that act as a bridge between the manufacturer and the customers. They do various things to facilitate both the companies and the customers.

4.15 FUNCTIONS OF MARKETING CHANNELS

- **Sorting-** First of all, the middlemen buy goods from different manufacturers and sort the products that are similar in quality, features, and size.

- **Accumulation-** Marketing channels make sure that there is a regular supply and circulation of goods in the market and because the middlemen are involved in the process, they are responsible for maintaining the required stock in enough quantity.

- **Allocation-** It is a known fact that goods are manufactured in bulk quantities but the customers prefer to purchase less quantity. Here again, the role of the middlemen comes who breaks the volume into small packages per the needs of customers.

- **Assorting-** The customers can get a large variety of goods because middlemen purchase goods from different manufacturers or suppliers located in different places and make them available to the customers in a single place.

- **Product Promotion:** The middlemen involved in the channel of distribution sometimes in a direct way or indirect way promotes the sales of a particular item through a special display, loyalty programmes, discounts or sale, etc.

- **Negotiation-** the middlemen bargains with the manufacturers and the consumer both for the product's price, proportion, quality, guarantee, after-sale service, etc.

- **Risk-Taking-** Generally, the middlemen like the wholesalers and the retailers have to bear the risk associated with any product from expiry, damage, breakage, and spoilage, etc. These risks even include issues related to transportation and warehousing.

WHY COMPANIES REQUIRE CHANNEL

1.Many organisations lack the resources (financial as well as other resources), to carry out direct marketing and reach out to their many customers without the help of any intermediary. For this purpose, marketing channels are used to take the products from the manufacturing organisations to the final consumers.

2.For many smaller products, direct marketing may not be feasible considering that exclusive retail outlets for small products may not work, and having to stock other products might end up in having just another grocery or food outlet which would not serve the purpose. Setting up exclusive retail stores for marketing of small products like chocolates would not be a feasible idea.

3.Given the lower return on investments in the retail business, organizations would be better off investing their money in their main business rather than taking up retailing or other channel functions.

4.16 VARIOUS CHANNELS OF DISTRIBUTION

Channel Levels:

A channel comprises several intermediaries. Each intermediary moves the product one step further towards the final consumer, and as such, each intermediary forms a level of the channel. The producer/manufacturer and the final consumer form a part of the channel and are at both ends of the channel.

The different types of marketing channels or channels of distribution have been identified based on the number of intermediaries or the levels the goods or services passes through to reach the customers.

1.Direct Marketing Channel: Direct selling is that medium of distribution in which there is no middle person involved, and the manufacturer directly sells the goods or services to the customer. It is also termed as ‘zero-level channel’.

This type of channel is popular among the services industry. Most of the services like travel, catering, salons fall under the direct marketing channel.

2. Indirect Marketing Channels: In this channel of distribution, the goods produced by manufacturing units passes through different intermediaries to reach its final consumer.The indirect channels can be further classified into the following types, each of which is supported by an example:

One-Level Channel:The single-level channel involves only one middle person, i.e. the retailer who purchases the goods from the manufacturer and sells them to the customers.The shopping malls and marts use this channel for acquiring products at a low price and selling them to customers at a reasonable price. Also, the manufacturers of some specialise products like furniture, clothing, footwear, etc. preferably go for the one-level marketing channel.

For Example; Big Bazaar is a retail mart which buys the products directly from the manufacturer and makes it available to the consumers.

Two-Level Channel:The wholesaler buys the goods in large quantity from the manufacturers and supplies it to the various retailers in small amounts. The retailers to the customers then sell these goods.This channel is preferred by the manufacturers who want to sell their products to obtain market share. It eliminates the expenses which the manufacturer incurs on the sales force, warehousing of goods and other retail selling practices.It also facilitates mass production and a high volume of sales by increasing the scalability of the manufacturers.

For Example; Rice yield by farmers is purchased and stored in bulk quantity by the wholesalers. The retailers then buy the rice in small portion from the wholesaler and sell it to the customers.

- **Three-Level Channel**: The manufacturer appoints agents or gives the goods to agencies which further distribute the products to selective wholesalers in large quantity. The wholesalers then sell the rice to the retailers in smaller amount who finally sell it to the customers.This is one of the most commonly used channels of distribution for confectionery products. It is used by the manufacturers who look forward to capturing a massive market by reaching the consumers scattered over a vast geographical area. For instance; in rural marketing.Even the perishable goods manufactured in large quantity need to be distributed through this medium since the manufacturers can not acquire customers more quickly through any other channel.

  For Example; Tata Tea manufactured by the company is sold to the agencies in different regions; these agencies sell it to the wholesalers of their respective areas. The wholesaler further sells it to the retailers from where it reaches the customers.

4.17 VALUE NETWORK

A network which creates partnership and value in purchase, production and selling of products is referred to as value network.Value network looks at the whole supply chain system players as partners rather than customers.The purpose of value network is to increase productivity, save cost and increase revenue. Companies are willing to take the procurement process on online for accuracy and speed. Companies exactly know each partner's role in influencing or disrupting normal operations.

One of the big steps companies are taking in the 21st century is taking their businesses online. The procurement process can be handled a lot faster and more accurately on the Internet. Business partners know their roles and how they influence the normal operations of the business.

Categories of Value Networks

There are two main categories of value networks – internal value networks and external value networks. An internal value network comprises interactions within the organization, and it is the combination of processes and relationships between people working in the organization. It exists when two or more people work together to create a product or service that benefits the organization.

1. Internal

Value is created when there are effective interactions between people conducting roles within the business. For example, the research and development department is an internal value network, and it creates value when the R&D personnel interacts with other departments to create new products or services that increase the company's profitability or solve social problems.

2. External

On the other hand, the external value network comprises interactions between people who are outside the organization. External networks may include business intermediaries, customers, business partners, stakeholders, open innovation networks, and networks. The participants in the external value network must benefit from the interactions with other people in the network. If one participant does not benefit, the rest of the network will be affected

UNIT 5- CASE STUDIES

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