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SELF-LEARNING MATERIAL

MASTER OF COMMERCE

MCM-201: MARKETING MANAGEMENT AND CONSUMER BEHAVIOUR

w.e.f Academic Session: 2023-24

CENTRE FOR DISTANCE AND ONLINE EDUCATION

UNIVERSITY OF SCIENCE & TECHNOLOGY MEGHALAYA

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Accredited 'A' Grade by NAAC

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

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Center for Distance and Online Education
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SYLLABUS

MCM-201: MARKETING MANAGEMENT AND CONSUMER BEHAVIOUR

Objective: To study and critically analyze the basic concepts & techniques in Marketing as well as to provide an in-depth understanding of the consumer buying processes and their determinants as relevant for marketing decision making.

Learning Outcomes: After completion of the course, learners will be able to:

1. Identify the different concepts of marketing.
2. Evaluate the importance of marketing environment & Customer relationship management.
3. Exhibits the decision-making skills concerning product, pricing, & branding.
4. Identify the different stages in consumer behavior & consumer decision making process.
5. Explain the theories/modes of consumer decision making; Assess the role of reference group in consumer decision making.

Credit: 4 **Full Marks: 100**

Unit I: Introduction

Marketing – Meaning, Nature & Scope, Elements of marketing, What is marketed?; evolution of marketing approach – Exchange concept, Production concept, Product concept, Sales concept, Marketing concept, Social Marketing Concept; Marketing Myopia, Marketing jargons; Marketing research: Concepts

Unit II: Marketing Environment & Segmentation

The marketing environment – Elements & Issues of marketing environment; Market segmentation – Levels of Segmenting and basis of Segmenting Consumer markets; Identifying target markets – Effective Segmenting Criteria, Ways for Target market selection; Product Positioning – meaning, positioning as a strategy; Customer Relationship Management – meaning, steps of CRM

Unit III: Product, Pricing, Promotion & Channel Intermediaries

Product decisions: Concepts, product levels, product line, product differentiation, classification, Product Mix, Product Life Cycles;Product Adoption Process, New Product Development stages;Brands – Concept, Brand Extensions, Branding decisions and Co-branding; Pricing decisions – concepts, Importance, Objectives, Factors Influencing Pricing, Types of Pricing; Promotion decisions – Concepts, Elements, Direct marketing, Steps in developing Effective Communications, Celebrity endorsements; Distribution decisions – Concept, Function, Intermediaries

Unit IV: Consumer Behaviour&Decision Making Process

Consumer Behaviour: Concepts, Importance, Nature;Types of consumers and their role; Consumer behaviour, Buying Motives; Buying Roles;Consumer Buying Process; Levels of Consumer Decision Making, Factors influencing consumer buying process; Needs and motivation; Perception; Attitude and attitude change; Learning and learning theories; Personality and life style analysis.

Unit V: Socio-Cultural Determinants of Consumer Behaviour& Models of Consumer Behaviour

Reference Group and their influences; Social class; Culture and sub-culture. Cross-cultural dimensions of consumer behavior; Influence of technology on consumer behavior; Organisation buying: Concept, Organisation buying vs Consumer buying; Consumer Behaviour models: Black box model, Howard and Sheth model, Engel Kollat and Blackwell model, Five stage model

MCM-201: MARKETING MANAGEMENT AND CONSUMER BEHAVIOUR

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Unit I: Introduction

Marketing – Meaning, Nature & Scope, Elements of marketing, What is marketed?; evolution of marketing approach – Exchange concept, Production concept, Product concept, Sales concept, Marketing concept, Social Marketing Concept; Marketing Myopia, Marketing jargons; Marketing research: Concepts

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According to the traditional concept, marketing means selling goods and services that have been produced. Thus, all those activities which are concerned with persuasion and sale of goods and services, are called marketing

1. CONCEPT OF MARKETING

Marketing is the process of creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. It involves understanding the needs and wants of target audiences and devising strategies to meet those needs profitably. Marketing encompasses a range of activities, including market research, product development, pricing, promotion, and distribution. It's about building and managing relationships with customers to satisfy their needs while achieving the goals of the organization. The ultimate aim is to create value for both the customer and the company by connecting the right product or service with the right people at the right time and place.

The modern concept of marketing considers the consumers' wants and needs as the guiding spirit and focuses on the delivery of such goods and services that can satisfy those needs most effectively. Thus, marketing starts with identifying consumer needs, then plan the production of goods and services accordingly to provide him the maximum satisfaction. In other words, the products and services are planned according to the needs of the customers rather than according to the availability of materials and machinery. Not only that, all activities (manufacturing, research and development, quality control, distribution, selling etc.) are directed to satisfy the consumers.

1.1 Definition of Marketing

The American Marketing Association, the official organization for academic and professional marketers, defines marketing as: "Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives"

According to Kotler (2000) – "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."

1.2 Nature of Marketing

The nature of marketing is multifaceted, encompassing various elements that collectively contribute to its essence:

1. **Dynamic and Evolving:** Marketing is highly dynamic, continuously adapting to changes in consumer behavior, technology, and market trends. It evolves alongside societal shifts, technological advancements, and economic fluctuations.
2. **Customer-Centric:** Central to marketing is a deep understanding of customer needs, preferences, and behaviors. Successful marketing strategies revolve around satisfying these demands effectively and creating meaningful customer experiences.
3. **Strategic and Creative:**Marketing involves strategic planning to achieve long-term goals and objectives. It requires creativity to develop innovative solutions, compelling messaging, and unique approaches to stand out in a competitive landscape.
4. **Value Creation:** Marketing aims to create value for both customers and businesses. It focuses on highlighting the benefits and solutions a product or service offers to address specific consumer needs.
5. **Communication and Engagement:** Effective communication is integral to marketing. It involves engaging and interacting with target audiences through various channels, fostering relationships, and building brand loyalty.
6. **Multifunctional and Integrated**:Marketing intersects with various aspects of a business, including product development, pricing, distribution, and customer service. Integration across these functions ensures a cohesive and consistent brand experience.

7. **Data-Driven:**Modern marketing heavily relies on data and analytics to make informed decisions. It involves collecting and analyzing data to understand consumer behavior, measure campaign effectiveness, and optimize strategies for better outcomes.
8. **Ethical and Responsible:** Ethical considerations play a vital role in marketing. Responsible marketing practices involve honesty, transparency, and ethical behavior in dealing with customers, competitors, and stakeholders.

Understanding these facets helps businesses navigate the complexities of marketing and devise strategies that resonate with their target audience while aligning with their overarching goals and values.

1.3 SCOPE OF MARKETING:

Now a day, marketing offers are not confined into products and services. The scope of marketing is now becoming larger. Marketing people are involved in marketing several types of entities:

Goods: Physical goods constitute the bulk of most countries' production and marketing effort. Most of the country produces and markets various types of physical goods, from eggs to steel to hair dryers. In developing nations, goods— particularly food, commodities, clothing, and housing—are the mainstay of the economy.

Services: As economies advance, a growing proportion of their activities are focused on the production of services. The Indian economy today consists of a 70–30 services-to-goods mix. Services include airlines, hotels, and maintenance and repair people, as well as professionals such as accountants, lawyers, engineers, and doctors. Many market offerings consist of a variable mix of goods and services.

Experiences: By orchestrate several services and goods, one can create, stage, and market experiences. Walt Disney World's Magic Kingdom is an experience.

Event: Marketers promote time-based events, such as the Olympics, trade shows, sports events, and artistic performances.

Persons: Celebrity marketing has become a major business. Artists, musicians, CEOs, physicians, high profile lawyers and financiers, and other professionals draw help from celebrity marketers.

Place: Cities, states, regions, and nations compete to attract tourists, factories, company headquarters, and new residents. Place marketers include economic development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies.

Properties: Properties are intangible rights of ownership of either real property (real estate) or financial property (stocks and bonds). Properties are bought and sold, and this occasions a marketing effort by real estate agents (for real estate) and investment companies and banks (for securities).

Organizations: Organizations actively work to build a strong, favorable image in the mind of their publics. Philips, the Dutch electronics company, advertises with the tag line, "Let's Make Things Better." The Body Shop and Ben & Jerry's also gain attention by promoting social causes. Universities, museums, and performing arts organizations boost their public images to compete more successfully for audiences and funds.

Information: The production, packaging, and distribution of information is one of society's major industries. Among the marketers of information are schools and universities; publishers of encyclopedias, nonfiction books, and specialized magazines; makers of CDs; and Internet Web sites.

Ideas: Every market offering has a basic idea at its core. In essence, products and services are platforms for delivering some idea or benefit to satisfy a core need.

1.4 Corporate orientation towards market place / Evolution of Marketing

As noted earlier, exchange is the origin of marketing activity. When people need to exchange goods, they naturally begin a marketing effort. Wroe Alderson, a leading marketing theorist has pointed out, ‗It seems altogether reasonable to describe the development of exchange as a great invention which helped to start primitive man on the road to civilization'. Production is not meaningful until a system of marketing has been established. An adage goes as: Nothing happens until somebody sells something.

Although marketing has always been a part of business, its importance has varied greatly over the years. The following table identifies five eras in the history of marketing: the production era, the product era, the sales era, the marketing era and the relationship marketing era.

In **the production era**, the production orientation dominated business philosophy. Indeed business success was often defined solely in terms of production victories. The focus was on production and distribution efficiency. The drive to achieve economies of scale was dominant. The goal was to make the product affordable and available to the buyers.

In the **product era**, the goal was to build a better mouse trap and it was assumed that buyers will flock the seller who does it. However, a better mousetrap is no guarantee of success and marketing history is full of miserable failures despite better mousetrap designs. Inventing the greatest new product is not enough. That product must also solve a perceived marketplace need. Otherwise, even the best-engineered. Highest quality product will fail.

In the **sales era**, firms attempted to match their output to the potential number of customers who would want it. Firms assumed that customers will resist purchasing goods and services not deemed essential and that the task of selling and advertising is to convince them to buy. But selling is only one component of marketing.

Next came the **marketing era** during which the company focus shifted from products and sales to customers‘ needs. The marketing concept, a crucial change in management philosophy, can be explained best by the shift from a seller‘s market – one with a shortage of goods and services – to a buyer‘s market – one with an abundance of goods and services. The advent of a strong buyer‘s market created the need for a customer orientation. Companies had to market goods and services, not just produce them. This realization has been identified as the emergence of the marketing concept. The keyword is customer orientation. All facets of the organization must contribute first to assessing and then to satisfying customer needs and wants.

The **relationship marketing era** is a more recent one. Organization‘s carried the marketing era‘s customer orientation one step further by focusing on establishing and maintaining relationships with both customers and suppliers. This effort represented a major shift from the traditional concept of marketing as a simple exchange between buyer and seller. Relationship marketing, by contrast, involves long-term, value-added relationships developed over time with customers and suppliers. The following table summarizes the differences between transaction marketing (i.e. exchanges characterized by limited communications and little or no on going relationship between the parties) and relationship marketing.

1.4 CORE CONCEPTS OF MARKETING:

Needs, Wants and Demands: The successful marketer will try to understand the target market's needs, wants, and demands. **Needs:** The most basic concept of marketing is the human needs. Human needs are states of felt deprivation. Human needs can be physical needs (Hunger, thirst, shelter etc) social needs (belongingness and affection) and individual needs (knowledge and self-expression).

Products

A product is anything that can be offered to a market to satisfy a need or want. People satisfy their needs and wants with products. Though the word suggests a physical object, the concept of product is not limited to physical objects. Marketers often use the expressions goods and services to distinguish between physical products and intangible ones. These goods and services can represent cars, groceries, computers, places, persons and even ideas. Customers decide which entertainers to watch on television, which places to visit for a holiday, which ideas to adopt for their problems and so on. Thus the term _product‘ covers physical goods, services and a variety of other vehicles that can satisfy customers‘ needs and wants. If at times the term _product‘ does not seem to be appropriate, other terms such as market offering, satisfier are used.

Value and Satisfaction

When the customers have so many choices to choose from to satisfy a particular need, how do they choose from among these many products? They make their buying choices based on their perceptions of a product‘s value. The guiding concept is customer value. A customer will estimate the capacity of each product to satisfy his need. He/She might rank the products from the most need-satisfying to the least need-satisfying. Of course, the ideal product is the one which gives all the benefits at zero cost, but no such product exists

Exchange, Transactions and Relationships

Marketing occurs when people decide to satisfy needs and wants through exchange. Exchange is the act of obtaining a desired object from someone by offering something in return. Thought it is only one of the many ways people can obtain a desired object, it allows a society to produce much more than it would with any alternative system. For an exchange to take place, several conditions must be satisfied. Of course, at least two parties must participate, and each must have something of value to the other. Each party also must want to deal with the other party and each must be free to accept or reject the other‘s offer. Finally, each party must be able to communicate and deliver. These conditions simply make exchange possible. Whether the exchange actually takes place depends on the parties‘ coming to an agreement. If they agree, we must conclude that the act of exchange has left both of them better off or at least not worse off. After all, each was free to reject or accept the offer. In this sense, exchange creates value just as production creates value. It gives customers more consumption possibilities.

Markets

The concept of transactions leads to the concept of a market. A market is the set of actual and potential buyers of a product. It may exist in a physical environment as a marketplace or in a virtual environment (on the internet platform) as a marketspace. To understand the nature of a market, imagine a primitive economy consisting of only four people – a farmer, a fisherman, a potter and a hunter. In the first case, self-sufficiency, they gather the needed goods for themselves. In the second case, decentralized exchange, each person sees the other three as potential buyers who make up a market. In the third case, centralized exchange, a new person called a merchant appears and locates in a central area called a marketplace. Each trader brings goods to the merchant and trades for other needed goods. Merchants and central marketplaces greatly reduce the total number of transactions needs to accomplish a given volume of exchange. As economies grow, exchange becomes even more centralized, as seen in the growth of huge companies. Large supermarkets now serve millions of people who formerly shopped in smaller outlets.

Marketing management is the carrying out the task to achieve desired exchanges with target markets. Marketing activities should be carried out under a well thought out philosophy of efficiency, effectiveness and social responsibility. The philosophies are the guidance for marketing efforts. It emphasizes on the weight that should be given to the interests of the organizations, customers and society. There are some concepts under which organizations conduct their marketing activities. These are:

1. Production Concept: It holds that consumers will favor products that are available and highly affordable. Therefore, management should focus on improving production and distribution efficiency that means high production efficiency, low costs and mass distribution. This concept is still useful in two types of situations, when the demand exceeds the supply and when the product’s cost is too high and improved productivity is needed to bring it down. It is used when a company wants to expand the market. Managers assume that consumers are primarily interested in product availability and low cost.

2 Product Concept: It holds the idea that consumers will favor products that offer the most quality, performance, and features and that the organization should therefore devote its energy to making continuous product improvements.

 buyers admire well-made products and can evaluate quality and performance.

 Product concept can lead to marketing myopia (that means lack of foresight or long-term view regarding the product decision).

3 Selling Concept: It holds the idea that consumers will not buy enough of the organization's products unless the organization undertakes a large-scale selling and promotion effort. This concept is typically practiced with unsought goods, those that buyers do not normally think of buying, such as encyclopedias or insurance. Most firms practice the selling concept when they have over capacity. This concept takes an inside-out perspective. It starts with the factory, focuses on the company's existing products and calls for heavy selling and promotion to obtain profitable sales.

4 Marketing Concept: It holds the idea that achieving organizational goals depend on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do. The main task for marketers not to find the right customers for the product, but the right products for the customers.

5 Societal Marketing Concept: It holds the idea that the organization should determine the needs, wants and interests of target markets and deliver the desired satisfactions more effectively and efficiently than do competitors in a way that maintains or improves the consumer's and society's well being. This concept calls on marketers to balance three considerations in setting their marketing policies: company profits, consumer wants and society's interests. It emphasizes on both the short run wants and long run welfare of consumers.

6 **Holistic Concept**: this is the most recent concept of marketing which is based on the development, design and implementation of marketing programs processes and activities from a broad integrated perspective. It is the integration of internal marketing, integrated marketing, relationship marketing and performance marketing concept.

1.5 PROCESS OF MARETING

The marketing process involves **five steps**: The first four steps create value for customers and build strong customer relationships in order to capture value from customers in return.

Stage – 1:-Marketers must assess and understand the marketplace and customers needs and demands.

Stage – 2:-Marketers design a customer driven marketing strategy with the goal of getting, keeping and growing target customers. This stage includes market segmentation, targeting and position.

Stage -3 :- This step involves designing a marketing program that actually delivers the superior value. This step includes designing products and services, pricing the product, distribution and finally promoting the product. .

Stage – 4:-The first three steps provide the basis for the fourth step that is building profitable customer relationships and creating customer satisfaction.

Stage -5:-And finally, the company reaps the reward of strong customer relationship and satisfaction by capturing value from customers.

1.6 Importance of Environmental Analysis:

The marketing Manager needs to be dynamic to deal effectively with the challenges of environment.

"The marketing manager must remain adaptable to effectively address the ever-changing business landscape. This environment is constantly in flux, prompting the need for continuous scanning and analysis. Several experts highlight the benefits of this practice:

1. Enhances overall managerial awareness of environmental shifts.
2. Offers better guidance in government-related matters.
3. Assists in comprehensive marketing analysis.
4. Recommends enhancements in diversification and resource allocation.
5. Enables firms to identify and seize opportunities ahead of competitors.
6. Provides a factual foundation for qualitative business environment information, beneficial in crafting strategies.
7. Serves as an ongoing, broad education for executives, particularly those involved in strategy formulation."

1.7 INDIAN MARKET & ITS ENVIRONMENT

The Indian market is a diverse and vibrant landscape characterized by a mix of traditional practices and rapid modernization. Here are some key aspects:

1. Diversity: India is known for its cultural, linguistic, and regional diversity, which significantly impacts consumer preferences and behaviors. What works in one region might not necessarily work in another.

2. Growth Potential: It's one of the fastest-growing major economies globally, with a large population, a growing middle class, and increasing urbanization. This presents ample opportunities for businesses across various sectors.

3. Tech-Savvy Population: India has a young demographic profile and is witnessing increasing digital adoption. Internet penetration and smartphone usage have surged, leading to a rise in online transactions and e-commerce activities.

4. Government Initiatives: The Indian government has introduced various initiatives like "Make in India," GST (Goods and Services Tax), and Digital India to boost manufacturing, simplify taxation, and promote digitalization, aiming to make the country an attractive investment destination.

5. Challenges: While the market holds immense potential, it also poses challenges such as complex regulatory frameworks, infrastructure gaps, disparities in income levels, and cultural nuances that companies need to navigate.

6. Rapid Urbanization: Urban centers in India are growing rapidly, leading to changes in consumer lifestyles, preferences, and buying patterns. This shift demands tailored marketing strategies to cater to urban consumers' evolving needs.

7. Consumer Behavior: Indian consumers are price-sensitive but value quality. They appreciate personalized experiences and are increasingly brand-conscious, especially in sectors like fashion, electronics, and FMCG (Fast Moving Consumer Goods).

Understanding these dynamics is crucial for businesses aiming to enter or expand within the Indian market. Adapting strategies to resonate with the diverse population while leveraging technology and aligning with regulatory frameworks is key to success in this dynamic market.

1.8 Environmental Scanning

Environmental scanning is the process of collecting information about the external marketing environment to identify and interpret potential trends. Here are some key points about environmental scanning:

1. Purpose: The primary goal is to understand the external factors that can affect an organization's performance, its strategic decisions, and its ability to compete effectively in the market.

2. Types of Environments: Environmental scanning typically focuses on various aspects such as the economic, social, political, technological, legal, and ecological factors (often referred to as PESTLE analysis) that influence business operations.

3. Information Sources: Data for environmental scanning can be sourced from a wide range of channels including market research, government publications, industry reports, academic papers, media sources, conferences, and expert opinions.

4. Continuous Process: It's an ongoing process rather than a one-time activity. The business environment is dynamic and constantly changing, so continuous monitoring and analysis are essential to stay updated on emerging trends and shifts.

5. Identifying Opportunities and Threats: By analyzing the gathered information, organizations can identify potential opportunities to capitalize on and threats to mitigate or avoid. This insight helps in strategic decision-making.

6. Strategic Planning: Environmental scanning serves as a crucial input for strategic planning. It helps organizations align their goals and strategies with the external environment, ensuring they are responsive and adaptable.

7. Competitive Advantage: A thorough understanding of the external environment can provide a competitive edge by allowing organizations to anticipate changes, innovate, and be proactive rather than reactive to market shifts.

8. Challenges: Despite its importance, environmental scanning can be challenging due to the vast amount of information available, the speed of changes, and the complexities of various factors interacting with each other.

1.9 Marketing research

Marketing research is a systematic process of gathering, analyzing, and interpreting information related to a market, product, or service. Here are some key points about marketing research:

1. Purpose: It aims to provide insights into customer behaviors, preferences, and needs, as well as market trends, competition, and other relevant factors to guide business decisions.

2. Types of Research:Marketing research can be classified into two main types:

- Primary Research: Involves collecting data firsthand through methods like surveys, interviews, observations, and experiments tailored to specific research objectives.
- Secondary Research: Involves using existing data from sources like market reports, government publications, academic papers, and industry studies.

3. Process: It typically involves several stages:

- Defining Objectives: Clearly defining what the research aims to achieve.
- Data Collection: Gathering relevant information using appropriate methodologies.
- Data Analysis: Organizing and interpreting data to extract meaningful insights.
- Drawing Conclusions: Deriving conclusions and actionable recommendations based on the findings.

4. Uses: Marketing research helps in:

- Understanding consumer needs, preferences, and behaviors.
- Assessing market potential and demand for products or services.
- Evaluating the effectiveness of marketing campaigns and strategies.
- Identifying market trends, opportunities, and threats.
- Making informed decisions regarding product development, pricing, distribution, and promotion strategies.

5. Methods:There are various methods used in marketing research, including:

Surveys and Questionnaires: Gathering data through structured questions.

Focus Groups: In-depth discussions with a small group of participants.

Interviews: Conducting one-on-one discussions to gather insights.

Observational Research: Watching and recording behaviors in natural settings.

-Data Analysis Tools: Using statistical and analytical tools for data interpretation.

6. Challenges: Marketing research may face challenges such as obtaining accurate data, managing biases, interpreting complex data sets, and adapting to rapidly changing market conditions.

7. Ethical Considerations: Researchers must adhere to ethical guidelines, ensuring the privacy and rights of participants and presenting findings truthfully and accurately.

Marketing research is a valuable tool that assists businesses in making informed decisions, understanding their target audience, and staying competitive in dynamic markets. It helps in minimizing risks and maximizing opportunities by providing a solid foundation of actionable insights.

Check Your Progress

MCQ

1. What is the primary goal of marketing?
   a) Maximizing profits
   b) Increasing market share
   c) Creating customer value and satisfaction
   d) Cost minimization
2. Which of the following is NOT one of the Four Ps of marketing?
   a) Product
   b) Promotion
   c) Price
   d) Personnel
3. What is the process of dividing a market into distinct groups of buyers who have different needs, characteristics, or behaviors called?
   a) Market segmentation
   b) Target marketing
   c) Market positioning
   d) Market differentiation
4. Which marketing orientation focuses on the internal capabilities of the firm rather than the needs and wants of the market?
   a) Production orientation
   b) Sales orientation
   c) Marketing orientation
   d) Product orientation
5. Which of the following is an example of a demographic segmentation variable?
   a) Lifestyle
   b) Personality
   c) Age
   d) Attitude

Answers: 1.c), 2.d), 3.a), 4.a), 5.c)

Short questions

1. What are the Four Ps of marketing?
2. Explain the concept of market segmentation.
3. Differentiate between a product and a service.
4. What is the purpose of market research in marketing?
5. Briefly describe the product life cycle.

Descriptive questions

1. Discuss the evolution of the marketing concept. How has it transformed over time?
2. Describe the key components of the marketing mix?
3. Discuss the significance of market segmentation in targeting consumer groups.
4. Examine the impact of technological advancements on contemporary marketing practices.
5. Elaborate on the concept of the product life cycle. How does understanding this cycle influence marketing decisions and strategies

Unit II: Marketing Environment & Segmentation

The marketing environment – Elements & Issues of marketing environment; Market segmentation – Levels of Segmenting and basis of Segmenting Consumer markets; Identifying target markets – Effective Segmenting Criteria, Ways for Target market selection; Product Positioning – meaning, positioning as a strategy; Customer Relationship Management – meaning, steps of CRM

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2 Marketing Environment

No business operates in a vacuum. Decisions are made within a context of competition, customer characteristics, behaviour of suppliers and distributors, and of course within a legislative and social framework. People working within organisations are contributing to the welfare of society and of each other, and obtaining satisfaction of their own needs in return: this complex network of exchanges results in a better standard of living for everybody. From a marketing viewpoint, managing the exchange process between the firm and its customers comes highest on the list of priorities, but it would be impossible to carry out this function without considering the effects of customer-based decisions on other people and organisations. A stakeholder is any individual or organisation affected by the firm‘s activities – neighbours, suppliers, competitors, customers, even governments – and all of these will have some input into marketing decisions, either directly or indirectly. Some environmental factors are easily controlled by managers within the firm, whereas others cannot be changed and must therefore be accommodated in decision-making.

The marketing environment can be classified in two categories which are as follow:

The Micro environment

The Macro environment

Micro environment

The microenvironment can be separated into the internal environment and the external environment. The internal environment consists of the firm‘s own management structure, the organization‘s strategies and objectives, and the departments within the company. The characteristics of the firm‘s internal environment affect its ability to serve its customers. The external environment comprises suppliers, marketing intermediaries, customers, competitors and publics. As well as obvious groups such as shareholders, publics can also include local interest groups who may have concerns about the marketer‘s impact on the environment or on local employment. The microenvironment consists of following factors.

1. Intermediaries.
2. Customers.
3. Public.
4. Competitors.
5. Company.
6. Suppliers.

1.Intermediaries - They are the people who assist the flow of products from the producers to the consumers; they include wholesalers, retailers, agents, etc. These people create place & time utility. A company must select an effective chain of middlemen, so as to make the goods reach the market in time. The middlemen give necessary information to the manufacturers about the market. If a company does not satisfy the middlemen, they neglect its products & may push the competitor‘s product.

2. Customers - The main aim of production is to meet the demands of the consumers. Hence, the consumers are the center point of all marketing activities. If they are not taken into consideration, before taking the decisions, the company is bound to fail in achieving its objectives. A company‘s marketing strategy is influenced by its target consumer. Eg: If a manufacturer wants to sell to the wholesaler, he may directly sell to them, if he wants to sell to another manufacturer, he may sell through his agent or if he wants to sell to ultimate consumer he may sell through wholesalers or retailers. Hence each type of consumer has a unique feature, which influences a company‘s marketing decision.

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

4. Competitors- A prudent marketing manager has to be in constant touch regarding the information relating to the competitor's strategies. He has to identify his competitor's strategies, build his plans to overtake them in the market to attract competitor's consumers towards his products.

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

6. Suppliers. They are the people who provide necessary resources needed to produce goods & services. Policies of the suppliers have a significant influence over the marketing manager's decisions because, it is laborers, etc. A company must build cordial & long-term relationship with suppliers.

Macro Environment

Larger societal forces that affect the whole microenvironment are known as the macro environment. These forces are of uncontrollable variables which the company must take care of and to respond it quickly because the global forces have huge impact on consumers and companies. The macro environment consists of following major forces which affect the whole micro environment of a company.

1. Demographic.
2. Economic.
3. Natural.
4. Technological.
5. Political and legal.
6. Cultural

1. Demographic. The study of human populations in terms of size, density, location, age, gender, race, occupation and other statistics comes under the demographic environment. The demographic environment itself is affected by changes in the mix of age groups in the population. If the population becomes older, this will lead to rising demand for products and services consumed by older people and a similar fall in demand for products consumed by younger people.

2. Economic. The economic environment is important to marketers because it affects the amount of money people have to spend on products and services. One of the components of the economic environment is the distribution of income. Economies around the world not only vary in their absolute or total level of wealth but also in how their wealth is spread within the population. For example, poor countries may be classified either as those which have a highly unequal spread of wealth or those where it is more evenly shared. The former group of countries may be markets for luxury goods, despite the level of poverty. In contrast, the second type of country may be more attractive to marketers of inexpensive goods for the mass market.

3. Natural. Natural resources needed as inputs by marketers or that are affected by marketing activities. This is important to marketers insofar as it is the source of many raw materials and fluctuation in supply can affect the prices paid for purchases. There is increasing pressure from public opinion as to where raw materials are sourced from, and their effect on the natural environment.

4. Technological. Technological developments offer marketers both opportunities and threats. Although firms can offer customers a wider array of advanced products, changes in technology also mean that there may be more than one technical solution to a customer‘s needs. Increased technological development accelerates the speed of obsolescence. Marketers have to consider how their product may need to be developed over time, if it is to remain competitive.

5.Culture. People‘s opinions and tastes are shaped by the society in which they live. It should be noted that societies are not made up of homogeneouspopulations. They contain sub-cultures, which are beliefs and values shared by smaller groups of people. Such groups may arise out of a common race, religion, social activity or hobby. Sub-cultures are important to marketers insofar as they may have different consumption habits from the rest of the population.

6. Political and legal. Marketers are influenced by the regulatory environment. The political environment around the world has recently favored the privatization of public companies. Such companies have also been able to compete more freely in the private sector. Political changes in Eastern Europe have also meant that these markets are now open to marketers from around the world.

2.1 MARKET SEGMENTATION

Market segmentation refers to the process of dividing a larger and heterogeneous market into smaller, more homogeneous groups of consumers with similar characteristics, needs, or behaviors. The purpose of segmentation is to better understand and cater to the diverse needs and preferences of various customer groups, allowing businesses to design and implement more targeted marketing strategies.

Segments can be based on various factors, including:

1. **Demographics:** Dividing the market based on demographic variables like age, gender, income, education, occupation, and family status.
2. **Geography:** Segmenting by geographical location, such as country, region, city, or climate.
3. **Psychographics:** Grouping consumers based on lifestyle, values, personality traits, attitudes, interests, and behaviors.
4. **Behavioral:** Segmenting by purchasing behavior, usage patterns, brand loyalty, or benefits sought from a product or service.
5. **Needs-based:** Segmenting according to specific needs, problems, or challenges that consumers seek to address through a product or service.

By segmenting the market, businesses can tailor their marketing efforts more effectively. It enables the creation of targeted products, services, or marketing campaigns that resonate with the unique preferences and characteristics of each segment. This approach often leads to increased customer satisfaction, better customer retention, and a more efficient allocation of marketing resources.

2.2 Market Positioning

Market positioning refers to the strategic process of creating an image or identity for a product, brand, or service in the minds of the target market relative to competitors. Here are some key points about market positioning:

1. **Differentiation:** It involves highlighting the unique attributes, benefits, or features that distinguish a product or brand from its competitors. This could be based on quality, price, design, functionality, or other factors.

2. Target Audience: Positioning aims to resonate with the specific needs, preferences, and perceptions of the target audience. Understanding the audience's desires and pain points is crucial in developing an effective positioning strategy.

3. Perception Management: It's about managing how consumers perceive the product or brand. Creating a favorable and distinct perception helps in carving out a specific place in the market.

4. Value Proposition: Market positioning revolves around communicating a compelling value proposition that addresses consumers' needs and offers a clear reason why they should choose a particular product or brand over others.

5. Consistency: Successful positioning requires consistency across all marketing efforts, including messaging, advertising, packaging, customer service, and overall brand experience.

6. Competitive Advantage: Effective positioning helps establish a competitive advantage by occupying a unique space in the market that is difficult for competitors to replicate.

7. Repositioning: Sometimes, brands or products need to reposition themselves in response to market changes, evolving consumer preferences, or shifts in the competitive landscape. This could involve altering the perception or modifying the value proposition to stay relevant.

8. Importance of Research: Market research is crucial for identifying gaps, understanding consumer perceptions, and finding opportunities to position a product or brand effectively.

9. Long-Term Strategy: Market positioning is a long-term strategy that requires continuous monitoring of market dynamics, consumer behaviors, and competitor actions to adapt and stay relevant.

By effectively positioning a product or brand in the market, businesses can create a distinct and desirable image, leading to increased brand awareness, customer loyalty, and market share.

Check Your Progress

1. Which type of competitive environment is characterized by a small number of large firms dominating the market?

a) Monopolistic competition

b) Oligopoly

c) Perfect competition
d) Monopoly
2. Which of the following is an example of a social factor in the marketing environment?
a) Inflation rate
b) Technological innovation
c) Social media trends
d) Interest rates
3. What is the primary purpose of market segmentation?
a) To increase production efficiency
b) To divide the market into distinct groups with similar needs and characteristics
c) To reduce competition in the market
d) To set the price of a product
4. Which of the following is a demographic segmentation variable?
a) Lifestyle
b) Psychographics
c) Age
d) Behavioral attributes
5. Which targeting strategy aims to serve the entire market with a single marketing mix?
a) Differentiated marketing
b) Undifferentiated marketing
c) Concentrated marketing
d) Customized marketing

Answers: 1.b), 2.c), 3.b), 4.c) 5.b)

Short questions

1. How do technological factors impact the marketing strategies of businesses?
2. Briefly discuss the significance of competitive forces in the marketing environment.
3. What role do cultural factors play in shaping consumer behavior and marketing decisions?
4. Define market segmentation and provide two benefits of using this strategy.
5. How does demographic segmentation help businesses tailor their marketing efforts?

Descriptive questions

1. Explore the significance of social and cultural factors in consumer behavior. How can businesses leverage cultural insights to create effective marketing campaigns?
2. Evaluate the influence of economic conditions on consumer spending and purchasing behavior. How do economic fluctuations impact marketing decisions and planning?
3. Discuss the importance of market segmentation in meeting diverse consumer needs. Provide examples of how companies effectively target specific market segments.
4. Examine the challenges and benefits of using demographic segmentation in a global marketing context. How can cultural differences impact the effectiveness of demographic segmentation?
5. Discuss the role of geographic segmentation in international marketing. How can businesses adapt their strategies to address the unique needs of consumers in different geographical regions?

Unit III: Product, Pricing, Promotion & Channel Intermediaries

Product decisions: Concepts, product levels, product line, product differentiation, classification, Product Mix, Product Life Cycles;Product Adoption Process, New Product Development stages;Brands – Concept, Brand Extensions, Branding decisions and Co-branding; Pricing decisions – concepts, Importance, Objectives, Factors Influencing Pricing, Types of Pricing; Promotion decisions – Concepts, Elements, Direct marketing, Steps in developing Effective Communications, Celebrity endorsements; Distribution decisions – Concept, Function, Intermediaries

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1. PRODUCT

A product may be defined in a narrow as well as broad sense. In n narrow sense, it is a set of tangible physical and chemical attributes in an identifiable and specially recognizable form.

A product, can be considered as comprising of three distinct levels. Al the First level is the core product is., the core benefit which the consumers seek to buy. The second level of the product can be described as the actual product. This includes the packaging, brand name, features of the product, design, the shape, utility etc. The third level is the augmented product. In addition to the actual product, the provider may give additional customer services such as after sales service, warrenty, delivery, installation etc.

3.1 Essential Attributes of a Product

Based on the above definitions, we can list out the essential characteristics of a product as follows:

Products, as offerings in the market, possess various characteristics that define their nature, appeal, and utility. Here are some key characteristics of products:

1. Tangibility: Products can be tangible, physical goods that customers can touch, feel, and see. This includes items like smartphones, clothing, cars, etc.

2. Intangibility: Some products are intangible, such as services. These offerings are not physical but rather experiences or performances, like banking services, education, or healthcare.

3. Attributes: Products have specific attributes and features that define their functionality, quality, design, and performance. These attributes can be primary (core functions) or secondary (additional features).

4. Durability and Perishability: Some products are durable and long-lasting, while others are perishable and have a limited shelf life. For instance, electronics are durable, while fresh produce is perishable.

5. Utility: Products provide utility or satisfaction to consumers by fulfilling their needs and wants. The utility can be functional (performing a specific task), aesthetic (enhancing appearance or beauty), or symbolic (representing status or identity).

6. Variability: Products may vary in terms of consistency and uniformity. In manufacturing, efforts are made to ensure uniformity (e.g., identical cars produced on an assembly line), while services can have more variability due to human involvement.

7. Branding: Products often have associated brands that create perceptions, associations, and emotional connections with consumers. Brands influence purchase decisions and loyalty.

8. Lifecycle: Products have a lifecycle that includes introduction, growth, maturity, and decline stages. Understanding where a product stands in its lifecycle helps in strategic planning.

9. Packaging: The way a product is packaged plays a crucial role in its appeal, protection, and marketing. Packaging can influence consumer perception and buying decisions.

10. Warranties and Guarantees: Some products come with warranties or guarantees that assure consumers of quality, performance, or replacement in case of faults.

Understanding these characteristics helps businesses in product development, marketing strategies, and meeting consumer needs effectively in the competitive market landscape.

3.2 Levels of Product:

Products have five levels, which are known as " customer value hierarchy", with each level adding more customer value.

I. The most basic is the core product or core benefit. This is what the customer is actually buying, Examples: Cosmetics are bought by ladies with the hope of becoming fair and lovely and mobile phone for communication.

II. At the second level, the core benefit is turned into a basic product. This will have features, design, a quality level, a brand name and packaging.
III. At the third level, it becomes an expected product, a set of attributes and conditions normally expected by consumers when they buy the product. Examples: Mobile phone- easy to operate, long- lasting battery, ring- tone, etc.
IV. At the fourth level, it becomes an augmented product by offering additional consumer services and benefits. Example: Colgate Motion- a battery run tooth brush, Suit case with wheels.
V. Finally, it becomes a potential product containing all possible augmentations and transformations that it might undergo in the future.

3.3 Product Mix Decisions

Product Mix

A product mix (also called product assortment) is the set of all product lines and items that a particular seller offers to sale.

A company's product mix can be described as having a certain width, length, depth, and consistency.

Product Mix width – The width of the product mix refers to how many product lines the company carries.

Product Mix length – The length of product mix refers to the total number of items in its product mix.

Product Mix depth – The **depth** of product mix refers to how many product variants are offered of each product item in the line.

Product Mix consistency – The consistency of the product mix refers to how closely related the various product lines are in end use, product requirements, distribution channels or some other way.

When we say a firm's product mix we are actually discussing about all product items it offers.

Hindustan Lever's product mix includes agro-chemical products, soaps, detergents, toothpaste, shampoos, Talcum powders, cosmetics and now, frozen foods. Just suppose any organization is marketing more than one product then it has a product mix.

Product item—a single product

Product line—all items of the same type

Product mix—total group of products that an organization markets

1.4 Product Strategy:

The product strategy serves as a comprehensive plan that guides a product's journey from inception to its envisioned future. It lays out the overall vision, details on achieving this vision, and the broader context of the product's evolution. This strategy is pivotal in a company's strategic planning and marketing efforts, providing direction for the company's initiatives. To effectively realize this vision, the product strategy involves a series of sequential processes. Clear identification of the target market is crucial, as it enables the company to plan activities necessary to reach its goals and desired destination. When launching a new product, companies often face uncertainty regarding its trajectory and impact. During such times, they rely on the product strategy to navigate these uncertainties and set the course for the product's success.

Importance of Product Strategy:

i. It helps decide the exact steps to be taken in any event to make the product a success.

ii. It prepares the company for response by competitors or towards changing market conditions.

iii. It helps the company decide the target market and in market penetration.

iv. A product vision is formed thereby setting the product on an independent path with a time to time intervention allowing the company to focus on multiple products in a short time.

3.5 PRODUCT LIFE CYCLE

The innovation of a new product and its degeneration into common products is termed as the life cycle of products is termed as the life cycle of products.

There are five distinct stages in the life of products as follows:

a.Introduction: Research or engineering skill leads to product development. The product is put on the market; awareness and acceptance are minimal. There are high promotional costs. Sometimes a product may generate a new demand, for example, Maggi, Volume of sales is low and there may be heavy losses.

b. Growth: The product begins to make rapid sales gains because of the cumulative effects of begins to make rapid sales gains because of the cumulative effects of introductory promotion, distribution, and word of mouth influence. High and sharply rising profits may be witnessed. But to sustain growth, consumer satisfaction must be ensured at this stage.

c. Maturity: Sales growth continues, but at a diminishing rate, because of the declining number of potential customers who remain unaware of the product or who have taken no action. Also, the last of the unsuccessful competing brands will probably withdraw from the market.

d.Decline Stage-At this stage sales start to fall fast as a result product range is reduced. The product faces reduced competition as many players have left the market and it is expected that no new competitor will enter the market. Advertising cost is also reduced

3.6 NEW PRODUCTS DEFINITION

Defining a new product is not a simple task. In an absolute sense, it is something new which has not existed before. When considered in a relative sense, it is something new which has not been experience before and perceived as new. In defining new products, the relative view is considered more useful because whether or not something is absolutely new, the interested persons who have not yet experienced it may represent opportunities or problems for consideration.

STEPS IN THE NEW PRODUCT DEVELOPMENT PROCESS

1. Generation of New Product Ideas
2. Screening of Ideas
3. Concept Development and Testing
4. Marketing Strategy Development
5. Business Analysis
6. Development of the Product
7. Market Testing
8. Commercialization

1. **GENERATION OF NEW PRODUCT IDEAS**

The new product development process starts with the search for ideas. The objective of this stage is to obtain (a) ideas for new products, (b) new attribute for the existing products, and (c) new uses of the existing products.

Sources of New Product Ideas Major sources of new product ideas include sources, customer competitors, distributors and suppliers, and others.

Internal Sources: One study found that more than 55 percent of all new-product ideas come from within the company. The company can find new ideas through formal research and development. It can get ideas from its scientists, engineers and manufacturing people. The company‘s sales people are anther good source because they are in daily contact with customers.

Customers: Almost 28 percent of all new-product ideas come from watching and listening to customers. The company can duct surveys or focus groups to learn about consumer needs and wants. The company can analyses customer problems.

Competitors: Abort 30 percent of new-product ideas come from analyzing competitor‘s products. The company can watch competitors‘ advertisements and other and other communications to get clues about their new products.

Distributors, Suppliers and Others: Reseller are close to the market and can pass along information about consumer problems and new-product possibilities. Suppliers can tell the company about new concepts, techniques and materials that can be used to develop new products. Other idea sources include trade magazines, shows and seminars; government agencies; new-product consultants; advertising agencies; marketing research firms; university and commercial laboratories.

2. **SCREENING IDEAS**

The purpose of idea generation is to create a large number of ideas. The purpose of screening is to reduce that number. The first idea-reducing stage is ideas screening. The purpose of screening is to spot good ideas and drop poor ones as soon as possible. In this stage managers use their knowledge and experience to weed out the poor ideas and will eliminate those ideas which are inconsistent with the firm‘s product policies and objectives, existing skills and resources and so on.

3. **CONCEPT DEVELOPMENT AND TESTING**

Concept Development An attribute idea must be develop into a product concept. A product concept is distinguished form a product idea and product image. While a product idea is a possible product that the company might offer to the market, its elaborated version expressed in meaningful customer terms is a product concept. At this stage, it is important to define the boundaries of the concept rather than the details. The target market, customers, their applications, major technical requirement etc. have to be defined and issues like these are addressed in a concept level business plan. The new product concept, more specific in description than an idea, should include the customer, the major consumer benefits and features defining the new product. Ideas and concepts are often combined and are considered to be part of one creative process. Concept Testing: Concept testing calls for testing new-product concepts with groups of target consumers. The concept maybe presented to consumer symbolically or physically. For some concept tests, a word or picture description might be sufficient. However, a more concrete and physical presentation of the concept will increase the reliability of the concept. Objectives of Concept Testing The major objectives of concept testing are: (1) To get the reaction of consumer‘s views of the new product idea. (2) To give direction regarding the development of the project. (3) To choose the most promising concepts for development and (4) To ascertain whether the product in question has adequate potential for its commercialization. Today, marketers are finding innovative ways to make product concepts more real to concept-test subjects. Customer feed back can be critical in providing insights into how potential customers will use and evaluate the new product.

4. **Marketing strategy development**

After developing and testing the new product concept, a new product manager should proceed to develop a marketing strategy plan for introducing the product into the market. The marketing strategy statement consists of three parts: The first part describes the size, structure and behaviour of the target market, the planned product positioning and the sales, market share and profit goals sought in the first three years. The second part outlines the product‘s planned price, distribution strategy and marketing budget for the first year. The third part describes the planned long-run sales and profit goals and marketing-mix strategy over time.

5. **BUSINESS ANALYSIS**

Business analysis is a stage where a new product idea is subjected to more sophisticated and detailed analysis. It involves a review of the sales, costs and profit projections for a new product to find out whether they satisfy the co0mpany‘s objectives. If they do, the product can move to the product-development stage. In a majority of new product development processes, three major interrelated questions emerge. They are regarding. 1. The estimate size and growth rate of the market segment, that is, the market opportunity for the new product concept. 2. The estimate sales and market share for the new product concept in the selected market or market segment. 3. The values of the new product program in terms of its expected financial performance. Apparently these imply three types of new product forecasting, viz., market opportunity forecasting, sales forecasting and financial forecasting. These forecasting processes address different sets of problems and their forecasts must be integrated to provide a complete picture of the commercial viability of the new product. Market opportunity forecasting assesses market size and growth for a new product in a potential market under various assumptions. Specific marketing research and modeling techniques are employer to measure sales response to alternative product concepts, prototypes and products and also price, distribution, promotion etc. it ensures that key product design decisions are made interactively with the market. For Sales forecasting the company should look at the sales history of similar products and should survey market opinion. It should estimate minimum and maximum sales to assess the range of risk. After preparing the sales forecast, management can estimate the expected product cost and profits, including marketing, R&D, manufacturing accounting, and finance costs. Financial forecasting addresses the important question about the value of the new product and its launch program. It reconciles market potential, market penetration, sales costs and investment forecasts to support decision making.

6. PRODUCT DEVELOPMENT

Product development is done after forecasted sales and budgeted costs promise a satisfactory return on investment and after the company is satisfied that it can gain access to the target market. At this juncture, the objective is to establish if it is physically possible to product an object with the desired performance characteristics within the cost constraints indicated by the forecast demand schedule. Usually this phase is the longest in the whole process, and it is vitally important that, throughout development, the innovator should continue critically to observe events and changes in the proposed target markets. In addition to updating the product concept to reflect changes in the market. In addition to updating the product concept to reflect changes in the market, the development phase should also provide for testing the product under real usage condition to ensure that it will deliver the promise satisfactions. The more complex the product and the more radical the behavioral change required of the end user, the more important this stage becomes. In the case of many capital material and consumer durable innovation, the development stage frequently continues well into the market launch stage on the ground that deficiencies and defects in the final product will only become apparent once it is exposed to a broad spectrum of usage situation.

7. **MARKET TESTING**

After developing a prototype, they must be put through vigorous functional and consumer tests. The functional tests are conducted in order to make sure that the product performs safely and effectively and they are conducted under laboratory and field conditions. Consumer testing is done in a variety of ways. They may be done by bringing consumers into laboratory or they may be given samples to use in their homes. In-home product placement tests are common in products like new home appliances, Consumer preference testing draws on variety of techniques, like simple ranking, paired comparisons, and rating scales, each with its own advantages and disadvantages. Market testing methods differ in testing different types of goods. While testing consumer products, four variables are sought to be estimated. They are, trial, first repeat, adoption and purchase frequency. In testing the trade, a company seeks to learn how many and what types of retailers will handle the product, under what terms, and with what shelf position commitments. Although test marketing can take a variety of forms, the three popular types used in practice in consumer goods markets are simulated, controlled and conventional test marketing. Kotler classifies them according to the cost testing, from the least to the most costly, are (1) Sales-wave research, (2) Simulated test marketing, (3) Controlled test marketing, and (4) conventional test marketing. Sales Wave Research In this method the consumers are initially offered to try the product at no cost and subsequently they are reoffered the product, or a competitor‘s product, at slightly reduced prices. These reoffering, referred to as sales waves, may be restored to for as many as three to five times in order to find out how many customer selected the product again and their reported level of satisfaction. This method may also include exposing customers to one or more advertising concept in rough form to ascertain its effects on repeat purchase. The sales wave research can be implemented quickly. Simulated Test Marketing (STM) It is a research method that facilitates the measurement of market response to a new product and its marketing program among potential buyers in a pseudo market environment. It can be implemented in a laboratory setting, n the homes or places of business of potential buyers or in other places that will simulate the buying process as closely as possible. The value of STMs is relatively low cost, quick execution, and secrecy from competitors.

8. **COMMERCIALIZATION**

Commercialization can be considered as a final phase in the new product development when the product is launched into the market place, thus initiating its life cycle. Supplies can be made available to the distribution channel, intensive selling must take place to ensure widespread availability at the point of sale or to canvass order from prospective buyers. Maintenance and servicing facilities will be necessary and a large promotional investment will be needed to create awareness of the new product‘s existence. While commercializing a product, market entry decisions can be critical Market entry tends to be a highly situation specific decision. The dynamics of the environment, the market, the organization, and its new product developments process must be assessed by the decision maker. Through rules are lacking, the following guidelines will help to make a sound decision. (1) Recognize the situational aspects of market entry; (2) Clarify the strategic importance of the market entry decision; and (3) Formulate the market entry decision problem. The launch marketing program at market entry

represents the point of execution of a business strategy. The company launching a new product must first decide on introduction timing. Next, the company must decide where to launch the new product – in a single location, a region , the national market, or the international market. Few companies have the confidence, capital, and capacity to launch new products into full national or international distribution. They will develop a panned market rollout over time. In particular, small companies may enter attractive cities or regions one at a time. Larger companies, however, may quickly introduce new models into several regions or into the full national m

3.7 BRAND

The American Marketing Association defines a brand name as a component, be it a word, letter, or combination, that serves to distinguish a seller's goods or services from those of competitors. It's instrumental in setting apart products like LUX, LIRIL, REXONA, and others in the soap industry, or SUR, ARIEL, NIRMA in detergents, and NIVEA, FEM, OIL OF OLEY, among others, in vanishing creams.

A brand encompasses names, terms, symbols, or designs aimed at identifying a seller's offerings and setting them apart from competitors. Brand identity represents a unique collection of associations that brand strategists aim to establish or uphold. Packaging involves creating the container and visual design for a product. Brands reside in consumers' minds and are more than mere labels; they form a relationship between consumers and marketers, fostering trust and reliability. Brands promise consistent quality, service, and emotional satisfaction.

Marketers must define a brand's mission and envision its capabilities. Importantly, brands serve as a commitment to consumers regarding performance, necessitating honesty in this commitment. These elements add value for both consumers and marketers. Brands serve as identifiers of product origins, aiding consumers in attributing responsibility to manufacturers or distributors. They simplify the purchasing decision by reducing search costs and risks based on past user experiences.

3.8 Branding Strategy

Many companies operate across multiple product lines and diverse markets. Within this array of products, some are robust while others are less strong. Certain products may necessitate financial investment for growth, while others generate surplus cash. Hence, companies face the challenge of allocating limited resources among these competing needs to optimize overall performance.

Management must determine which product lines to nurture, maintain, or phase out. This process, known as portfolio planning, involves overseeing various brands and product lines. A brand represents more than just a product; it signifies an agreement between the creator and the customer, encapsulating meaning, providing direction, and establishing uniqueness.

Brand identity and image are pivotal for a company's success. When crafting a product strategy, choosing the right brand elements becomes essential. Multiple branding elements contribute to a product's recognition and reputation in the market.

For instance, consider Victorinox as a brand with distinctive elements that help distinguish genuine products from counterfeit ones. Specific features, like a unique sound produced by a spring in their Swiss knife, serve as a confirmation of authenticity. Additionally, symbols on the knife and within its smaller tools further differentiate the authentic products from fakes.

3.9 Pricing Decisions

A price is an expression of value. The value rests in the usefulness and quality of the product itself, in the image that is conveyed through advertising and promotion, in the availability of the product through wholesale and retail distribution systems, and in the service that goes with it. A price is the seller‘s estimate of what all of this is worth to potential buyers, recognizing the other options buyers will have for filling the need the product is intended to satisfy.

A way to think about making a pricing decision is that price should be set somewhere between what the product costs to make and sell and its value to the customer. If price exceeds the perceived value of the product to potential purchasers, it has no market. If the price is below what the product costs to produce, the business cannot survive for very long. Where a price should be set between cost and customer value is a strategic decision

Factors affecting price decisions:

There are a number of factors which influence the pricing decisions of marketers. While some of these are external or environmental factors (such as competition, demand conditions and so on), others are internal factors (like marketing objectives, cost conditions and so on).

Internal factors: The internal factors, as the term implies, are mostly internal to the organization and therefore, largely controllable by the organization. They also have a direct bearing on the firm‘s pricing decision. The following are the important internal factors that must considered in pricing a firm‘s product/service.

Marketing objectives – Before setting price, the firm must decide on its strategy for the product. This reiterates the idea that the corporate strategy must precede the marketing strategy and then marketing strategy must precede the pricing strategy.

Marketing-mix strategy – Price is only one of the marketing-mix elements that a firm uses to achieve its marketing objectives. Therefore, logically pricing decisions must be coordinated with product design, distribution and promotion decisions to form a consistent and effective marketing program.

Costs –Costs set the floor for the price that the firm can charge for its product. A firm‘s costs may be an important element in its pricing strategy. The firm wants to charge a price that both covers all its costs for producing, distributing and selling the product and delivers a fair rate of return for its effort and risk.

Organisation for pricing – Management must decide who within the organization should set prices. Firms handle pricing in a variety of ways. In small firms, prices are often set by top management rather than by themarketing or sales departments. In large firms, pricing typically is handled by product line managers

External factors: The external factors, as the term implies, are external to the organization and therefore, treated as uncontrollable by the organization. They have an indirect, but definite bearing on the firm‘s pricing decision. The following are the important external factors that must considered in pricing a firm‘s product/service.

Nature of the market and demand – While costs set the lower limit of prices, the market and demand set the upper limit. Buyers balance the price of a product or service against the benefits of owning it. Therefore, before setting prices, the marketer must understand the relationship between price and demand for his product.

Competition – Another external factor affecting the company‘s pricing decisions is competitors‘ costs and prices and possible competitor reactions to the company‘s own pricing moves. For so-called commodities (i.e. virtually undifferentiated products), all competitors generally charge identical prices. If one goes above the market price, sales will drop off sharply; if one goes below, all others are likely to follow or risk significant reductions in market share.

Other environmental factors – When setting prices, the firm also must consider other factors in its external environment. Economic conditions can have a strong impact on the firm‘s pricing strategies. Economic factors such as inflation, boomor recession, and interest rates affect pricing decisions because they affect both the costs of producing a product and consumer perceptions of the product‘s price and value. The firm also must consider what impact its prices will have on other parties in its environment.

Pricing Methods

Firms translate pricing objectives into pricing decisions in two major steps. First, someone must accept responsibility for making pricing decisions and administering the resulting pricing structure. Second, someone must set the overall pricing structure – that is, basic prices and appropriate discounts for channel members, quantity purchases, and geographic and promotional considerations.

The company adjusts product prices to reflect changes in costs and demand and to account for variation in buyers and situations.

New Product Pricing Strategies

Pricing strategies usually change as the product passes through its life cycle as illustrated in the previous lesson. The introductory stage is especially challenging. Firms bringing out an innovative patent-protected product can choose between two options, viz. market-skimming pricing and market-penetration pricing.

Market-skimming pricing: Many firms that invent new products initially set high prices to ‗skim' revenues layer by layer from the market. At product introduction in the marketplace, the firm may charge the highest price it could given the benefits of its new product over competing products. The firm sets a price that made it just worthwhile for some affordable segments of the market to adopt the new product. After the initial sales slowdown, the firm may lower the price to draw in the next price sensitive layer of the customers. In this way, a firm skims a maximum amount of revenue from the various segments of the market.

Market-penetration pricing: Rather than setting a high initial price to skim off small but profitable market segments, some firms set a low initial price in order to penetrate the market quickly and deeply – to attract a large number of buyers quickly and win a large market share. A penetration pricing strategy may also extend over several stages of the product life cycle as the firm seeks to maintain a reputation as a low-price competitor. Since many firms begin penetration pricing with the intention of increasing prices in the future, success depends on generating many consumer trial purchases

Product-Mix pricing : The strategy for setting a product's price often has to be changed when the product is part of a product mix. In this case, the firm looks for a set of prices that maximizes the profits on the total product mix. This pricing is difficult because the various products have related demand and costs and face different degrees of competition.

Product-line pricing: Since most firms market multiple product lines, an effective pricing strategy must consider the relationships among all of these products instead of viewing each is isolation. In product line pricing, management must decide on the price steps to set between the various products. The price steps should take into account cost differences between the products, customer evaluations of their different features and competitors' prices

Optional-product pricing: Many firms use this strategy by offering to sell optional or accessory products along with their main product. These firms have to decide which items to include in the base price and which to offer as options. Often the basic model which is stripped of many comforts and conveniences sought by the customers gets rejected.

Captive-product pricing: Firms that make products that must be used along with a main product are using this pricing strategy. Producers of the main products often price them low and set high markups of the supplies

By-product pricing: In producing certain products, there are by-products. If these by products have no value and if getting rid of them is costly, this will affect the pricing of the main product. Using by-product pricing, the manufacturer will seek a market for these by-products and should accept any price that covers more than the cost of storing and delivering them..

Product-bundle pricing: Using this strategy, marketers combine several of their products and offer the bundle at a reduced price. Price bundling can promote the sales of products consumers might not buy otherwise, but the combined price must be low enough to get them to buy the bundle.

Discount and allowance pricing: Most firms adjust their basic price to reward customers for certain responses, such as cash payment, early payment of bills, volume purchases and off-season buying. Some of those adjustments are described below: Cash discounts, Quantity discounts, Functional discounts, Seasonal discounts, Allowances etc.

Discriminatory pricing: Firms will often adjust their basic prices to allow for differences in customers, products and locations. In discriminatory pricing, the firm sells a product or service at two or more prices, even though the difference in prices is not based on differences in costs.

Psychological pricing: It applies the belief that certain prices or price ranges make products more appealing to buyers than others. In using psychological pricing, sellers consider the psychology of prices and not simply the economics.

Value pricing: During slow-growth times, many firms adjust their prices to bring them into line with economic conditions and with the resulting fundamental shift in consumer attitudes toward quality and value. Value pricing is offering just the right combination of quality and good service at a fair price

Promotional pricing: In promotional pricing, a lower-than-normal price is used as a temporary ingredient in a firm‘s selling strategy. Some promotional pricing arrangements form part of recurrent marketing initiatives. Some may be to introduce a promotional model or brand with special pricing to begin competing in a new market. Promotional pricing takes several forms and some of them are described below.

Geographical pricing: Geographical considerations strongly influence prices when costs must cover shipping heavy, bulky, low-unit-cost materials. Buyers and sellers can distribute transportation expenses in several ways: (1) The buyer pays all transportation charges; (2) The seller pays all transportation charges; or (3) the buyer and the seller share the charges. This choice has particularly important effects for a firm seeking to expand its geographic coverage to distant markets. The seller‘s pricing can implement several alternatives for handling transportation costs.

International pricing: A wide variety of internal and external conditions can affect a marketer‘s global pricing strategies. Internal influences include the firm‘s goals and marketing strategies, the costs of developing, producing and marketing its products, the nature of the products and the firm‘s competitive strengths.

3.10 PACKAGING

In the past, packaging was seen as a significant expenditure in marketing. In certain toiletry products, the expenses related to packaging even surpassed the costs of the actual contents. However, present-day perspectives acknowledge that packaging plays a crucial role in branding and fostering brand loyalty. Additionally, it facilitates the ease of handling and carrying products for buyers. Furthermore, effective packaging strategies can potentially reduce marketing expenses, contributing to increased profitability.

QUALITIES OF GOOD PACKAGING

Qualities of effective packaging include an appealing visual design, convenient for storage and display, protection against damage or spoilage, and clear product information displayed on the package.

FUNCTION OF PACKAGING ESPECIALLY FOR CONSUMER GOODS

Packaging serves fundamental roles in protection and presentation. Contemporary marketing necessitates packaging that is easy to handle and meets transportation needs. Consistency and high-quality standards in packaging are crucial as consumers expect uniformity each time they buy a product. Considering transport economics, every package should be identifiable and possess visual appeal to attract consumers.

The functions of packaging include boosting sales, enhancing product usability, promoting the product, ensuring product safety, aiding in storage, and facilitating product differentiation.

PACKAGING DECISIONS

Packaging Design

It is not easy to design a package for various items. For example, all shaving creams come in tubes, but different brands of shaving cream have different packaging. Because of the high cost of packaging some companies have resorted to refill packs.

Color

Color is an important factor for determining customer acceptance or rejection of a product. The use of right colors in packaging may help marketers reap huge advantage. Packaging color should be attractive so that it may help promote sales.

Packaging the Product Line

A company must decide whether to develop a family resemblence in the packaging of its several products. Families packaging involves the use of identical packages for all products or the use of packages with some common feature.

3.11 PROMOTION DECISION

Marketing communications is one of the four major elements of the company‘s marketing mix. Marketers must know how to use advertising, sales promotion, direct marketing, public relations, and personal selling to communicate the product‘s existence and value to the target customers.

The communication process itself consists of nine elements: sender, receiver, encoding, decoding, message, media, response, feedback, and noise. Marketers must know how to get through to the target audience in the face of the audience‘s tendencies toward selective attention, distortion, and recall.

Developing the promotion program involves eight steps. The communicator must first identify the target audience and its characteristics, including the image it carries of the product. Next the communicator has to define the communication objective, whether it is to create awareness, knowledge, liking, preference, conviction, or purchase. A message must be designed containing an effective content, structure, format, and source. Then communication channels both personal and non-personal must be selected. Next, the total promotion budget must be established. Four common methods are the affordable method, the percentage-of-sales method, the competitive-parity method, and the objective-and-task method.

3.12 PROMOTION MIX

Product promotion is critical for every business due to the lasting impact promotion has on the clients. The promotion mix is essentially what promoting entails as well as how promoting is effectively done. It comprises personal selling, advertising, public relations, sales promotion, and direct marketing. Using the right blend of the promotional mix ensures that a business will continue gaining customers and achieving success in both the short and long run.

1. Personal Selling

This is usually the most costly tool but is one of the most effective tools in the promotional mix. It is effective since it builds a long-term relationship between the client and employee that will continue coming back. This is of great benefit especially when dealing with clients that spend large amount of cash. The client could want a hotel for fifty people or he or she might be buying vehicles for each of is 30 businesses. Cultivating this relationship will increase the chances of future opportunities if his or her expectations are met.

2. Direct Marketing

Direct marketing uses technology to target clients individually. Examples include telephone calls, apps, e-mail, and catalogs. Direct marketing is useful since it targets individuals that spend small amounts of money at different times since they do not spend as much cash as frequently. Different companies use e-mail to send out specials and deals to clients. Some companies such as Amazon use previous purchases to offer recommendations. Others just send out recommendations to everyone on their mailing list. Direct marketing is great especially when marketing to the masses but personalizing the message for every recipient.

3. Public relations

Every business needs public relations but many businesses often overlook it since they typically associate it with dealing with negative situations that can affect a company. A good Public Relations manager for a business should be dynamic to handle both positive and negative situations.

On the positive side, a Public Relations campaign is implemented through newsletters, social media, press releases, grand openings, and major events. Social media is particularly a useful tool for public relations since the masses use it and love it. On the negative side, dealing with those negative situations is something that a public relations director should be in a position to handle effectively.

4. Sales Promotions

These provide a great way to get customers to buy a particular service or product.

Sales promotions are particularly useful in the service industry since many people are not willing to pay full price for a vacation package. However, once they get a promotion of 20% off they become attracted to the offer immediately. Restaurants can also make use of sales promotions to boost sales by bringing more people into the restaurant. Sales promotions work for other industries too. You can find stores offering 20% discounts on selected items and so on.

5. Advertising

Advertising plays a key role when promoting a business. Newspapers, Radio, TV, and Social Media advertising all play an important role in determining how to target customers as well as how they will respond to the advertising message.

Social Media marketing

Social media is currently taking over from the traditional forms of advertising. Focus on social media is critical especially when communicating with clients. The reason for this is that Facebook is one of the most visited website globally on a daily basis. Furthermore, it is instantaneous. As soon as a company posts something on its Facebook page it immediately becomes available for all to see. In addition, Facebook offers the option of targeting users based on their interests, gender, location, age, and any other demographics that you can think of. In the 21 Century, Social Media marketing is simply the way to go.

Advertising

Meaning of Advertising - Advertising is an activity of attracting public attention to a product, service, or business as by paid announcements in the print, broadcast, or electronic media.

Definition of Advertising - "Advertising is the non-personal communication of information usually paid for and usually persuasive in nature about products, services or ideas by identified sponsors through the various media." Now let's take this statement apart and see what it means.

Objectives of Advertising - The real objective of advertising is effective communication between producers and consumers with the purpose to sell a product, service, or idea. The main objectives of advertising are as follows:

1. Informative

Objective of advertising is to inform its targeted audience/customers about introduction of new product, update or changes in existing products or product related changes, information regarding new offers and schemes. Informative advertising seeks to develop initial demand for a product. The promotion of any new market entry tends to pursue this objective because marketing success at this stage often depends simply on announcing product availability. Thus, informative advertising is common in the introductory stage of the product life cycle.

2. Persuasive

Objective of advertising is to increase demand for existing product by persuading new customer for first time purchase and existing customers for repurchases. Persuasive advertising attempts to increase demand for an existing product. Persuasive advertising is a competitive type of promotion suited to the growth stage and the early part of the maturity stage of the product life cycle.

3. Reminder

The objective of advertising is to remind customers about existence of product, and ongoing promotional activities. Reminder advertising strives to reinforce previous promotional activity by keeping the name of a product before the public. It is common in the latter part of the maturity stage and throughout the decline stage of the product life cycle.

Functions of Advertising - Following are the basic functions of advertising:

1. To distinguish product from competitors' products: There are so many products of same category in the market and they competes with each other, advertising performs the function of distinguishing advertiser's product from competitors.

2. To communicate product information: Product related information required to be communicated to the targeted customers, and advertisement performs this function.

3. To urge product use: Effective advertisement can create the urge within audience for a product.

4. To expand product distribution: When the market demand of aparticular product increases, the number of retailer and distributor involved in sale of that product also increases, hence product distribution get expanded.

5. To increase brand preference: There are various products of different bands are available, the brand which is effectively and frequently advertised is preferred most.

6. To reduce overall sale cost: Advertising increases theprimary demand in the market. When demand is there and the product isavailable, automatically the overall cost will decrease, simultaneously the cost of sales like distribution cost, promotional cost also get decreased.

Classification of Advertising - Advertising can be classified on the basis of **Function, Region, Target Market, Company demand, Desired response,** and **Media**.

A) Classification on the basis of function

- Advertisement informs the customers about a product
- Advertisement persuades the consumers to buy a products
- Advertisement reminds existing customers about the presence of the product in the market

Let us discuss some important types of advertising based on the functional aspect of advertising.

Informative advertising: This type of advertising informsthe customers about the products, services, or ideas of the firm ororganization.

Persuasive advertising: This type of advertisingpersuades or motivates the prospective buyers to take quick actions tobuy the products or services of the firm. Example: ―Buy one, get onefree‖.

Reminder advertising: This genre of advertising remindsthe existing customers to become medium or heavy users of the productsor services of the firm that have been purchased by them at least once.This type of advertising exercise helps in keeping the brand name anduses of the products in the minds of the existing customers.

B) Classification on the basis of region

Advertisements can also be classified on the basis of the region, say:

Global advertising: It is executed by a firm in its globalmarket niches. Reputed global magazines like Time, Far Eastern EconomicReview, Span, Fortune, Futurist, Popular Science. Cable TV channels arealso used to advertise the products through out world. Supermodels andcinema stars are used to promote high-end products Examples: Sony,Philips, Pepsi, Coca Cola, etc.

National advertising: It is executed by a firm at thenational level. It is done to increase the demand of its products andservices throughout the country. Examples: BPL (Believe in the best).Whirlpool Refrigerator (Fast Forward Ice Simple) etc.

Regional advertising: If the manufacturer confines hisadvertising to a single region of the country, its promotional exerciseis called Regional Advertising. This can be done by the manufacturer,wholesaler, or retailer of the firm. Examples: Advertisements ofregional newspapers covering those states or districts where thesenewspapers are circulated. Eg. The Assam Tribune (only for the NEregion) etc.

Local advertising: When advertising is done only for onearea or city, it is called Local Advertising. Some professionals alsocall it Retail Advertising. It is sometime done by the retailer topersuade the customer to come to his store regularly and not for anyparticular brand. Examples: Advertisements of Ooo la la, Gupshup (LocalFM channels) etc.

C) Classification on the basis of target market

Depending upon the types of people who would receive the messages ofadvertisements, we can classify advertising into four subcategories:

Consumer product advertising: This is done to impressthe ultimate consumer. An ultimate consumer is a person who buys theproduct or service for his personal use. This type of advertising isdone by the manufacturer or dealer of the product or service. Examples:Advertisements of Intel, Kuttons (shirt), Lakme (cosmetics) etc.

Industrial product advertising: This is also calledBusiness-to-Business Advertising. This is done by the industrialmanufacturer or his distributor and is so designed that it increasesthe demand of industrial product or services manufactured by themanufacturer. It is directed towards the industrial customer.

Trade advertising: This is done by the manufacturer topersuade wholesalers and retailers to sell his goods. Different mediaare chosen by each manufacturer according to his product type, natureof distribution channel, and resources at his command. Hence, it isdesigned for those wholesalers and retailers who can promote and sellthe product.

Professional advertising: This is executed bymanufacturers and distributors to influence the professionals of aparticular trade or business stream. These professionals recommend orprescribe the products of these manufacturers to the ultimate buyer.Manufacturers of these products try to reach these professionals underwell-prepared programmes. Doctors, engineers, teachers, purchaseprofessionals, civil contractors architects are the prime targets ofsuch manufacturers.

Financial advertising: Banks, financial institutions,and corporate firms issue advertisements to collect funds from markets.They publish prospectuses and application forms and place them at thosepoints where the prospective investors can easily spot them.

D) Classification on the basis of desired responses

An ad can either elicit an immediate response from the targetcustomer, or create a favourable image in the mind of that customer.The objectives, in both cases, are different. Thus, we have two typesof advertising under this classification.

Direct action advertising: This is done to get immediate responses from customers. Examples: Season's sale, purchase coupons in a magazine.

Indirect action advertising: This type of advertisingexercise is carried out to make a positive effect on the mind of thereader or viewer. After getting the advertisement he does not rush tobuy the product but he develops a favourable image of the brand in hismind.

Surrogate advertising: This is a new category ofadvertising. In this type of promotional effort, the marketer promotesa different product. For example: the promotion of Bagpiper soda. Thefirm is promoting Bagpiper Whisky, but intentionally shows soda. Theyknow that the audience is quite well aware about the product and theyknow this fact when the actor states, "Khoob Jamega Rang Jab MilBaithenge Teen Yaar ... Aap ... Main, Aur Bagpiper").

E) Classification on the basis of the media used in advertisement

The broad classification based on media is as follows:

Audio advertising: It is done through radio, P A systems, auto-rickshaw promotions, and four-wheeler promotions etc.

Visual advertising: It is done through PoPdisplays,without text catalogues, leaflets, cloth banners, brochures, electronichoardings, simple hoardings, running hoardings etc.

Audio-visual: It is done through cinema slides, movies, video clips, TV advertisements, cable TV advertisements etc.

Written advertising: It is done through letters, faxmessages, leaflets with text, brochures, articles and documents, spacemarketing features in newspapers etc.

Internet advertising: The world wide web is usedextensively to promote products and services of all genres. For exampleBharat Matrimony, www.teleshop.com, www.asianskyshop.com etc.

Verbal advertising: Verbal tools are used to advertisethoughts, products, and services during conferences, seminars, andgroup discussion sessions. Kinesics also plays an important role inthis context.

3.13 Sales Promotion

Every businessman wants to increase the sale of goods that he deals in. He can adopt several ways for that purpose. You might have heard about ―lakhpatibano‖, ―win a tour to

Singapore‖, ―30% extra in a pack of one kg‖, ―scratch the card and win a prize‖ etc. You might also have seen gifts like lunch box, pencil box, pen, shampoo pouch etc. offered free with some products.

There are also exchange offers, like in exchange of existing model of television you can get a new model at a reduced price. You may have also observed in your neighbouring markets notices of ―winter sale‖, ―summer sale‖, ―trade fairs‖, ―discount upto 50%‖ and many other schemes to attract customers to buy certain products. All these are incentives offered by manufacturers or dealers to increase the sale of their goods. These incentives may be in the form of free samples, gifts, discount coupons, demonstrations, shows, contests etc. All these measures normally motivate the customers to buy more and thus, it increases sales of the product. This approach of selling goods is known as ―Sales Promotion‖.

Thus, sales promotion consists of all activities other than advertising and personal selling that help to increase sales of a particular commodity.

Objectives of Sales Promotion

(i) To introduce new products: Have you ever heard about distribution of free samples? Perhaps you know that many companies distribute free samples while introducing new products. The consumers after using these free samples may develop a taste for it and buy the products later for consumption.

(ii) To attract new customers and retain the existing ones: Sales promotion measures help to attract or create new customers for the products. While moving in the market, customers are generally attracted towards the product that offers discount, gift, prize, etc on buying. These are some of the tools used to encourage the customers to buy the goods. Thus, it helps to retain the existing customers, and at the same time it also attracts some new customers to buy the product.

(iii) To maintain sales of seasonal products: There are some products like air conditioner, fan, refrigerator, cooler, winter clothes, room heater, sunscreen lotion, glycerin soap etc., which are used only in particular seasons. To maintain the sale of these types of products normally the manufactures and dealers give off-season discount. For example, you can buy air conditioner in winter at a reduced price. Similarly you may get discount on winter clothes during summer.

(iv) **To meet the challenge of competition:** Today‘s business faces competition all the time. New products frequently come to the market and at the same time improvement also takes place. So sales promotion measures have become essential to retain the market share of the seller or producer in the product-market.

Tools of Sales Promotion

To increase the sale of any product manufactures or producers adopt different measures like sample, gift, bonus, and many more. These are known as tools or techniques or methods of sales promotion. Let us know more about some of the commonly used tools of sales promotion.

(i) Free samples: You might have received free samples of shampoo, washing powder, coffee powder, etc. while purchasing various items from the market. Sometimes these free samples are also distributed by the shopkeeper even without purhasing any item from his shop. These are distributed to attract consumers to try out a new product and thereby create new customers. Some businessmen distribute samples among selected persons in order to popularize the product. For example, in the case of medicine free samples are distributed among physicians, in the case of textbooks, specimen copies are distributed among teachers.

(ii) Premium or Bonus offer: A milk shaker along with Nescafe, mug with Bournvita, toothbrush with 500 grams of toothpaste, 30% extra in a pack of one kg. are the examples of premium or bonus given free with the purchase of a product. They are effective in inducing consumers to buy a particular product. This is also useful for encouraging and rewarding existing customers.

(iii) Exchange schemes: It refers to offering exchange of old product for a new product at a price less than the original price of the product. This is useful for drawing attention to product improvement. ‗Bring your old mixer-cum-juicer and exchange it for a new one just by paying Rs.500‘ or ‗exchange your black and white television with a colour television‘ are various popular examples of exchange scheme. **(iv) Price-off offer:** Under this offer, products are sold at a price lower than the original price. ‗Rs. 2 off on purchase of a lifebouy soap, Rs. 15 off on a pack of 250 grams of Taj Mahal tea, Rs. 1000 off on cooler‘ etc. are some of the common schemes. This type of scheme is designed to boost up sales in off-season and sometimes while introducing a new product in the market. **(v) Coupons:** Sometimes, coupons are issued by manufacturers either in the packet of a product or through an advertisement printed in the newspaper or magazine or through mail. These coupons can be presented to the retailer while buying the product. The holder of the coupon gets the product at a discount. For example, you might have come across coupons like, ‗show this and get Rs. 15 off on purchase of 5 kg. of Annapurna Atta‘. The reduced price under this scheme attracts the attention of the prospective customers towards new or improved products. **(vi) Fairs and Exhibitions:** Fairs and exhibitions may be organised at local, regional, national or international level to introduce new products, demonstrate the products and to explain special features and usefulness of the products. Goods are displayed and demonstrated and their sale is also conducted at a reasonable discount. ‗International Trade Fair' in New Delhi at Pragati Maidan, which is held from 14th to 27th November every year, is a wellknown example of Fairs and Exhibitions as a tool of sales promotion. **(vii) Trading stamps:** In case of some specific products trading stamps are distributed among the customers according to the value of their purchase. The customers are required to collect these stamps of sufficient value within a particular period in order to avail of some benefits. This tool induces customers to buy that product more frequently to collect the stamps of required value. **(viii) Scratch and win offer:** To induce the customer to buy a particular product ‗scratch and win' scheme is also offered. Under this scheme a customer scratch a specific marked area on the package of the product and gets the benefit according to the message written there. In this way customers may get some item free as mentioned on the marked area or may avail of price-off, or sometimes visit different places on special tour arranged by the manufacturers. **(ix) Money Back offer:** Under this scheme customers are given assurance that full value of the product will be returned to them if they are not satisfied after using the product. This creates confidence among the customers with regard to the quality of the product. This technique is particularly useful while introducing new products in the market.

3.14Publicity: Publicity is also a way of mass communication. It is not a paid form of mass communication that involves getting favourable response of buyers by placing commercially significant news in mass media. Publicity is not paid for by the organisation. Publicity comes from reporters, columnists, and journalists. It can be considered as a part of public relations. Publicity involves giving public speeches, giving interviews, conducting seminars, offering charitable donations, inaugurating mega events by film actors, cricketers, politicians, or popular personalities, arranging stage show, etc., that attract mass media to publish the news about them.

Publicity is undertaken for a wide range of purposes like promoting new products, increasing sales of existing product, etc. It also aimed at highlighting employees' achievements, company's civic activities, pollution control steps, research and development successes, financial performance, its progress, any other missionary activities, or social contribution.

Philip Kotler

―Non-personal stimulation of demand for the product or service, or business unit by placing commercially significant news about it in public medium or obtaining favourable presentation of it upon radio, television, or stage that is not paid for by the sponsor.

Characteristics of Publicity:

Key characteristics of publicity have been briefly described in following part:

1. Meaning: Publicity is not a paid form of mass communication that involves getting favourable response of buyers by placing commercially significant news in mass media. It involves obtaining favourable presentation upon radio, newspapers, television, or stage that is not paid for by the sponsor.

2. Non-paid Form:

Publicity is not a paid form of communication. It is not directly paid by producer. However, it involves various indirect costs. For example, a firm needs some amount for arranging function, calling press conference, inviting outstanding personalities, decorating of stage, other related costs, etc.

3. Various Media: Mostly, publicity can be carried via newspapers, magazines, radio, or television. For example, in case a product is launched by popular personality in a grand function, the mass media like newspapers, television, radio, magazines, etc., will definitely publicize the event.

4. Objectives:

Sales promotion is undertaken for a wide variety of purposes. They may include promotion of new product, pollution control, special achievements of employees, publicizing new policies, or increase in sales. It is primarily concerns with publishing or highlighting company‘s activities and products. It is targeted to build company‘s image. In a long run, it can contribute to increase sales.

5. Control of Producer:

Company has no control over publicity in terms of message, time, frequency, information, and medium. It comes through mass media like radio, newspapers, television, etc. It is given independently by the third party. It is presented as a news rather than propaganda.

6. Credibility/Social Significance:

Publicity has high degree of credibility or reliability as it comes from mass media independently. It is given as news for social interest. It has more social significance compared to other means of market promotion.

7. Part of Public Relations:

Publicity is a part of broad public relations efforts and activities. Public relations includes improving, establishing, and maintaining direct relations with all publics. Publicity can help improve public relations.

8. Costs:

Publicity can be done at much lower cost than advertising. Company needs to spend a little amount to get the event or function publicized.

9. Effect:

Publicity message is more likely to be read, viewed, heard, and reacted by audience. It has a high degree of believability as it is given by the third party.

10. Repetition:

Frequency or repetition of publicity in mass media depends upon its social significance or the values for news. Mostly, it appears only once.

Importance of Publicity:

Like advertising and sales promotion, sales can be increased by publicity, too. Publicity carries more credibility compared to advertisement. Publicity is cost free; it doesn‘t involve direct cost. Publicity offers a lot of benefits to the producers and distributors.

Importance of publicity can be made clear from the below stated points:

1. Publicity is an effective medium to disseminate message to the mass with more credibility. People have more trust on news given by publicity.

2. The credibility level of publicity is much higher than advertising and other means of market promotion. People express more trust on what the third party independently says. It appears directly through newspapers, magazines, television, or radio by the third party. It is free from bias.

3. It provides more information as the valuable information is free from space and time constraints. Similarly, publicity takes place immediately. No need to wait for time or space in mass media. It enjoys priority.

4. The firm is not required to pay for publicity. The indirect costs related to publicity are much lower than other means of promotion.

5. It is a part of public relations. It is free from exaggeration; it carries more factual information about company. It is more trustable. It helps establish public relations.

6. Generally, publicity covers the varied information. It normally involves name of company, its goods and services, history, outstanding achievements, and other similar issues. The knowledge is more complete compared to advertisement.

7. Publicity directly helps middlemen and sale persons. Their tasks become easy. Publicity speaks a lot about products on behalf of middlemen and salesmen. Sellers are not required to provide more information to convince the buyers.

8. It is suitable to those companies which cannot effort the expensive ways to promote the product.

9. Publicity increases credit or fame of the company. Publicity on company‘s assistance in relief operations during flood, earthquake, draught, and other natural calamities highlights its name and social contribution in mass media. People hold high esteem to this company.

10. Publicity can be used by non-commercial organisations/institutes like universities, hospitals, associations of blinds or handicaps, and other social and missionary organisations. They can publicize their noble works by the medium of publicity.

Objectives of Publicity:

Publicity is aimed at a number of objectives.

The most common objectives of publicity have been discussed in brief as under:

1. Building Corporate Image:

Through publicity, a company can build or improve its corporate image. People trust more on what press reporters, columnists, or newsreaders say via mass media independently than what the company says. Publicity highlights the company‘s name and operations. It popularizes the name of the company.

2. Economy:

It is a cost saving medium. Here, a company is not required to pay for message preparation, buying space and time, etc. The cost involved is much lower than other means of market promotion. Financially poor companies may opt for publicity.

3. Assisting Middlemen and Salesmen:

Publicity can help middlemen and salesmen in performing the sales-related activities successfully. Information conveyed through publicity speaks a lot of things on behalf of sellers. Publicity makes selling tasks much easier.

4. Information with High Creditability:

Sometimes, publicity is targeted to disseminate information more reliably. Customers do not express doubts on what publicity appeals. Customers assign more value to information supplied by mass media via publicity than by the advertisement.

5. Removing Misunderstanding or Bad Image:

Company can defend the product that has encountered public problems. In many cases, publicity is aimed at removing misunderstanding or bad impression. Whatever a publicity conveys is more likely to be believed.

6. Building Interest on Product Categories:

Publicity attracts attention of buyers. Due to more trusted news, people build interest in various products and activities.

7. Newsworthiness Information:

Publicity publicizes the fact in an interesting ways. Publicity is eye-catching in nature. People do not skip the news presented by publicity that more likely happens in case of advertising. For example, when a new product is launched by the distinguished personalities like film star, eminent artist, or cricketer in a grand function, the product becomes popular within no time.

3.15 Personal selling

The personal selling process consists of a series of steps. Each stage of the process should be undertaken by the salesperson with utmost care. The stages in personal selling are briefly explained below.

1. Prospecting and qualifying: _Prospecting and qualifying‘ are the first steps the personal selling process. This is to identify and qualify prospects in order to help sales people in the process of selling.

Companies generate leads in the following ways:

i. searching names by examining data sources such as newspapers, directories, CD-ROMs etc.

ii. establishing a booth at trade shows and exhibitions

iii. getting the names of the prospects from existing customers

iv. cultivating referral sources such as dealers, suppliers, sales reps, executives, bankers etc.

v. Getting the names of the prospects from organizations and associations

vi. Using the telephone, mail and the internet to find leads.

2. **Pre-approach**: Having found out the prospective customers, the salesperson should collect some important details about the prospects. For example, if the prospect is a company, then he should know what the company needs, who takes purchase decisions and who are its buyers.

After knowing the important particulars about the prospects, the salesperson should set call objectives. The salesperson should qualify the prospect, collect information and make an immediate sale. He should also decide on the best approach which may be a personal visit, a phone call or a letter. Besides he should also decide on the timing of approach, based on the convenience of the prospects.

3. **Approach**: The salesperson should properly approach the prospects. He should know how to greet the buyer before starting his conversation. The salesperson should be properly dressed which coincides with the temperament of the buyer. The opening line should be positive.

For example, ―Mr. Jacob, I am Rahim from Jeevan Company. My company and I appreciate your willingness to see me. I will do my best to make this visit profitable for you‖. The opening line must pay importance to the buyer‘s needs.

4. **Presentation and demonstration**: The sales presentation should be based on AIDA formula.In other words, the presentation should gain attention, ho!d interest, arouse desire and obtain the action of the buyer. Moreover, the salesperson should adopt **FABV approach**. This is a **―features**, **advantages**, **benefits** and **value**‖ approach. Features narrate physical characteristics of a market. Advantages describe why the features provide an advantage to the customer. Benefits explain the economic, technical aspects and social benefits delivered by the offering. Finally, value describes the overall worth in terms of money.

Sales presentation varies in style. There are three styles of sales presentation, namely,

a. canned approach,

b. formulated approach and

c. need-satisfaction approach.

Canned approach is memorized sales talk covering the main points while **formulated approach** identifies the buyer‘s needs and buying style and then uses an appropriate approach. The **need-satisfaction approach** starts with a search for customer‘s real needs. It encourages the customer to talk of his own needs.

5. **Overcoming objections**: Customers when pressed for orders, voice their objections known as customer‘s resistance. The resistance of the customers may either be psychological or logical. Psychological resistance includes resistance to interference, giving importance for well established brands, apathy, impatience, reluctance to participate in the talk, unpleasant situation created by the salesperson, aversion towards decision making, etc.

Logical resistance is based on some reasons associated with price, delivery schedule; product or company characteristics, etc. Salesperson should overcome these objections by adopting a positive approach. He must convert the objections into reasons for buying. Handling and overcoming are the most important part of sales process.

6. **Closing the sale**: A goods sales talk results in clinching a sale. At this juncture, the salesperson closes the sale at the right moment. A salesperson can successfully close the sale by studying the body language and the statements made by the buyers. They can ask for the order by drawing the attention of the customers towards colour, size or type of the product. If the buyers remain undecided, they may be guided in making the choice of the product.

7. **Follow-up and maintenance**: Immediately after closing the sale, the salesperson should take some follow up measures. He may give details about delivery time, purchase terms and mode of payment of price, etc. The salesperson can ensure customer satisfaction by properly attending matters which are important to the customers. Thus, follow up is necessary if the salesperson wants to ensure repeat purchase.

3.16 DISTRIBUTION SYSTEM

Distribution (or **place**) is one of the four elements of the marketing mix. Distribution is the process of making a product or service available for the consumer or business user who needs it. This can be done directly by the producer or service provider, or using indirect channels with distributors or intermediaries. The other three elements of the marketing mix are product, pricing, and promotion.

Decisions about distribution need to be taken in line with a company's overall strategic vision and mission. Developing a coherent distribution plan is a central component of strategic planning. At the strategic level, there are three broad approaches to distribution, namely mass, selective and exclusive distribution. The number and type of intermediaries selected largely depends on the strategic approach. The overall distribution channel should add value to the consumer.

Distribution is fundamentally concerned with ensuring that products reach target customers in the most direct and cost efficient manner. In the case of services, distribution is principally concerned with access. Although distribution, as a concept, is relatively simple, in practice distribution management may involve a diverse range of activities and disciplines including: detailed logistics, transportation, warehousing, storage, inventory management as well as channel management including selection of channel members and rewarding distributors

Distribution Strategy:

Prior to designing a distribution system, the planner needs to determine what the distribution channel is to achieve in broad terms. The overall approach to distributing products or services depends on a number of factors including the type of product, especially perishability; the market served; the geographic scope of operations and the firm's overall mission and vision.

The process of setting out a broad statement of the aims and objectives of a distribution channel is a strategic level decision. In an intensive distribution approach, the marketer relies on chain stores to reach broad markets in a cost efficient manner. Strategically, there are three approaches to distribution:

Mass distribution (also known as intensive distribution):

When products are destined for a mass market, the marketer will seek out intermediaries that appeal to a broad market base. For example, snack foods and drinks are sold via a wide variety of outlets including supermarkets, convenience stores, vending machines, cafeterias and others. The choice of distribution outlet is skewed towards those than can deliver mass markets in a cost efficient manner.

Selective distribution: A manufacturer may choose to restrict the number of outlets handling a product. For example, a manufacturer of premium electrical goods may choose to deal with department stores and independent outlets that can provide added value service level required to support the product. Dr Scholl orthopedic sandals, for example, only sell their product through pharmacies because this type of intermediary supports the desired therapeutic positioning of the product. Some of the prestige brands of cosmetics and skincare, such as Estee Lauder, Jurlique and Clinique, insist that sales staff are trained to use the product range. The manufacturer will only allow trained clinicians to sell their products.

Exclusive distribution: In an exclusive distribution approach, a manufacturer chooses to deal with one intermediary or one type of intermediary. The advantage of an exclusive approach is that the manufacturer retains greater control over the distribution process. In exclusive arrangements, the distributor is expected to work closely with the manufacturer and add value to the product through service level, after sales care or client support services. Another definition of exclusive arrangement is an agreement between a supplier and a retailer granting the retailer exclusive rights within a specific geographic area to carry the supplier's product.

Types of Channels

Normally goods and services pass through several hands before they come to the hands of the consumer for use. But in some cases producers sell goods and services directly to the consumers without involving any middlemen in between them, which can be called as direct channel. So there are two types of channels, one direct channel and the other, indirect channel. From the above diagram it can be found that there is just one direct channel i.e. from producer to the consumer. There are many indirect channels like:

Wholesaler and Retailer

Distribution of products takes place by means of a marketing channel, also known as a distribution channel. A marketing channel is 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. This is mostly accomplished through merchant retailers or wholesalers or, in the international context, by importers. In certain specialist markets, agents or brokers may become involved in the marketing channel.

Typical intermediaries involved in distribution include:

Wholesaler: A merchant intermediary who sells chiefly to retailers, other merchants, or industrial, institutional, and commercial users mainly for resale or business use. The transactions are B2B (Business to Business). Wholesalers typically sell in large quantities. (Wholesalers, by definition, do not deal directly with the public).

Retailer: A merchant intermediary who sells direct to the public. There are many different types of retail outlet - from hypermarts and supermarkets to small, independent stores. The transactions in this case are B2C (Business to Customer).

Agent: An intermediary who is authorized to act for a principal in order to facilitate exchange. Unlike merchant wholesalers and retailers, agents do not take title to goods, but simply put buyers and sellers together. Agents are typically paid via commissions by the principal. For example, travel agents are paid a commission of around 15% for each booking made with an airline or hotel operator.

Jobber: A special type of wholesaler, typically one who operates on a small scale and sells only to retailers or institutions. For example, rack jobbers are small independent wholesalers who operate from a truck, supplying convenience stores with snack foods and drinks on a regular basi

Wholesalers

Wholesalers are one of the important middlemen in the channel of distribution who deals with the goods in bulk quantity. They buy goods in bulk from the producers and sell them in relatively smaller quantities to the retailers. In some cases they also sell goods directly to the consumers if the quantity to be purchased is more. They usually deal with a limited variety of items and also in a specific line of product, like iron and steel, textiles, paper, electrical appliances, etc.

Characteristics of Wholesalers

The followings are the characteristics of wholesaler:

(i) Wholesalers buy goods directly from producers or manufacturers.

(ii) Wholesalers buy goods in large quantities and sells in relatively smaller quantities.

(iii) They sell different varieties of a particular line of product. For example, a wholesaler who deals with paper is expected to keep all varieties of paper, cardboard, card, etc.

(iv) They may employ a number of agents or workers for distribution of products.

(v) Wholesalers need large amount of capital to be invested in his business.

(vi) They generally provides credit facility to retailers.

(vii) He also provides financial assistance to the producers or manufacturers.

(viii) In a city or town they are normally seen to be located in one particular area of the market.

Functions

You have well understood the meaning of wholesaler and listed their characteristics. Now let us know about the functions of wholesalers.

Following are the functions, which a wholesaler usually performs.

i) Collection of goods: A wholesaler collects goods from manufacturers or producers in large quantities.

ii) Storage of goods: A wholesaler collects the goods and stores them safely in warehouses, till they are sold out. Perishable goods like fruits, vegetables, etc. are stored in cold storage.

iii) Distribution: A wholesaler sells goods to different retailers. In this way, he also performs the function of distribution.

iv) Financing: The wholesaler provides financial support to producers and manufacturers by sending money in advance to them. He also sells goods to the retailer on credit. Thus, at both ends the wholesaler acts as a financier.

v) Risk taking: The wholesaler buys finished goods from the producer and keeps them in the warehouses till they are sold. Therefore, he assumes the risks arising out of changes in demand, rise in price, spoilage or destruction of goods.

Retailers

Retailers are the traders who buy goods from wholesalers or sometimes directly from producers and sell them to the consumers. They usually operate through a retail shop and sell goods in small quantities. They keep a variety of items of daily use.

Characteristics of Retailers:

(i) Retailers have a direct contact with consumers. They know the requirements of the consumers and keep goods accordingly in their shops.

(ii) Retailers sell goods not for resale, but for ultimate use by consumers. For example, you buy fruits, clothes, pen, pencil etc. for your use, not for sale.

(iii) Retailers buy and sell goods in small quantities. So customers can fulfil their requirement without storing much for the future.

(iv) Retailers require less capital to start and run the business as compared to wholesalers.

(v) Retailers generally deal with different varieties of products and they give a wide choice to the consumers to buy the goods

Functions of Retailers

All retailers deal with the customers of varying tastes and temperaments. Therefore, they should be active and efficient in order to satisfy their customers and also to induce them to buy more. Let us see what the retailers do in distribution of goods.

(i) Buying and Assembling of goods: Retailers buy and assemble varieties of goods from different wholesalers and manufacturers. They keep goods of those brands and variety which are liked by the customers and the quantity in which these are in demand.

(ii) Storage of goods: To ensure ready supply of goods to the customer retailers keep their goods in stores. Goods can be taken out of these store and sold to the customers as and when required. This saves consumers from botheration of buying goods in bulk and storing them.

(iii)) Credit facility: Although retailers mostly sell goods for cash, they also supply goods on credit to their regular customers. Credit facility is also provided to those customers who buy goods in large quantity.

(iv) Personal services: Retailers render personal services to the customers by providing expert advice regarding quality, features and usefulness of the items. They give suggestions considering the likes and dislikes of the customers. They also provide free home delivery service to customers. Thus, they create place utility by making the goods available when they are demanded.

(v) Risk bearing: The retailer has to bear many risks, such as risk of: (a) fire or theft of goods (b) deterioration in the quality of goods as long as they are not sold out. (c) change in fashion and taste of consumers.

(vi) Display of goods: Retailers display different types of goods in a very systematic and attractive manner. It helps to attract the attention of the customers and also facilitates quick delivery of goods.

Check your progress.

Check your progress.

MCQ

1. What is the term for a group of closely related product items marketed by the same company?
   a) Product mix
   b) Product line
   c) Product extension
   d) Product family
2. Which pricing strategy involves setting a high initial price to capitalize on early adopters?
   a) Penetration pricing
   b) Skimming pricing

c) Competitive pricing

d) Value-based pricing

3. Which element of the promotional mix involves paid, non-personal communication through various media channels?

   a) Public relations

   b) Personal selling

   c) Advertising

   d) Sales promotion

4. What is the purpose of a call-to-action (CTA) in promotional messages?

   a) To create brand awareness

   b) To provide detailed product information

   c) To encourage an immediate response or purchase

   d) To build long-term relationships with customers

5. What is the primary function of a distributor in a channel of distribution?

   a) To manufacture the product

   b) To sell directly to consumers

   c) To facilitate the movement of products from the producer to the retailer

   d) To promote the product through advertising

   Answers: 1.b), 2.b), 3.c), 4.c), 5.c)

Short question

1. Define the term "product mix" and provide an example.
2. Explain the concept of "penetration pricing" and when it might be suitable for a product launch.
3. What is the key difference between advertising and personal selling in the promotional mix?
4. Describe the role of a wholesaler in a distribution channel.
5. What are the two factors in pricing strategies?

Descriptive question

1. Discuss the importance of branding in product management. How does a strong brand contribute to the overall success of a product in the market? Provide examples.
2. Examine the stages of the product life cycle and explain the marketing strategies suitable for each stage. How do companies adapt their approaches as a product moves through its life cycle?

3. Explore the various factors that businesses consider when determining the pricing strategy for a new product. How does the nature of the product influence the choice of pricing strategy?
4. Discuss the concept of value-based pricing. How can businesses effectively communicate and justify the value of their products to customers through pricing?
5. Explain the significance of channel intermediaries in the distribution process. How do intermediaries add value to the supply chain, and what challenges may arise in managing these relationships?

Unit IV: Consumer Behaviour&Decision Making Process

Consumer Behaviour: Concepts, Importance, Nature;Types of consumers and their role; Consumer behaviour, Buying Motives; Buying Roles;Consumer Buying Process; Levels of Consumer Decision Making, Factors influencing consumer buying process; Needs and motivation; Perception; Attitude and attitude change; Learning and learning theories; Personality and life style analysis.

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4 Consumer behavior refers to the study of how individuals, groups, or organizations select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy their needs and desires. It's a complex and multidimensional process influenced by various factors:

1. Psychological Factors: Consumer behavior is heavily influenced by psychological aspects such as perception, motivation, learning, attitudes, and beliefs. These factors shape how consumers perceive and interact with products or services.

2. Social Factors: Social influences play a significant role. Family, peers, culture, social class, and reference groups impact consumer decisions. Cultural norms, values, and societal trends often shape buying behaviors.

3. Personal Factors: Individual characteristics like age, lifestyle, personality, income, education, occupation, and values influence consumer behavior. Different demographics have varying preferences and priorities.

4. Situational Factors: Contextual elements, such as time constraints, location, and immediate needs, can impact consumer choices. For instance, buying behavior might differ based on whether the purchase is made online or in-store.

Understanding consumer behavior is vital for businesses as it helps in:

-Marketing Strategies: Tailoring products, services, and marketing campaigns to match consumer preferences and needs.

- Product Development: Creating products that align with consumer desires and solving their problems.

- Customer Engagement: Building relationships and loyalty by addressing consumer concerns and preferences.

- Market Research: Utilizing consumer insights to predict market trends and make informed business decisions.

Consumer behavior isn't always predictable, as it's influenced by diverse and dynamic factors. Hence, businesses continually analyze and adapt their strategies to stay aligned with evolving consumer preferences and behaviors.

Consumer behavior holds immense importance in the field of marketing and business strategies. Here are several reasons why understanding consumer behavior is crucial:

1. Tailored Marketing Strategies: Knowledge of consumer behavior allows businesses to create targeted marketing strategies that resonate with specific consumer segments. This includes personalized messaging, product features, and pricing strategies.

2. Product Development: By comprehending consumer preferences, needs, and pain points, businesses can develop products or services that align with these demands, leading to higher acceptance and satisfaction.

3. Enhanced Customer Engagement: Understanding consumer behavior fosters better relationships with customers. Engaging with consumers based on their behavior and preferences helps in building trust and loyalty.

4. Predicting Market Trends: Insights into consumer behavior aid in anticipating market shifts and trends, allowing businesses to adapt proactively and stay ahead of competitors.

5. Improved Decision-Making: Consumer behavior data supports informed decision-making across various business aspects, from inventory management to expansion strategies, leading to more effective and efficient operations.

6. Competitive Edge: Businesses that understand consumer behavior can differentiate themselves in the market by offering unique value propositions that directly address consumer needs.

7. Effective Communication: Knowledge of consumer behavior guides effective communication strategies, ensuring that messages and promotions resonate with the intended audience, leading to higher engagement and conversion rates.

8. Customer Satisfaction: Meeting consumer expectations and preferences ultimately results in higher satisfaction levels, leading to repeat purchases and positive word-of-mouth, further benefiting the business.

9. Mitigating Risks: Understanding consumer behavior helps in mitigating risks associated with market changes, new product launches, or shifts in consumer preferences.

Overall, consumer behavior insights are fundamental for businesses aiming to succeed in competitive markets. It's a cornerstone in shaping marketing strategies, developing products, building customer relationships, and ultimately driving business growth and success.

4.1 TYPES OF CONSUMERS

Consumers come in various types based on their behavior, purchasing patterns, and motivations. Understanding these consumer types is essential for businesses to tailor their strategies effectively. Here are some types of consumers and their roles:

1. Routine Buyers: These consumers follow regular purchasing patterns, often buying familiar products without much consideration. They contribute to steady sales for established brands and products.

2. Impulse Buyers: Impulse buyers make spontaneous purchases driven by emotions or immediate desires. They often respond to marketing stimuli like promotions or eye-catching displays.

3. Brand Loyalists: These consumers are dedicated to specific brands, often due to positive experiences, trust, or a strong emotional connection. They play a crucial role in repeat purchases and advocacy.

4. Deal Seekers: Deal seekers are primarily motivated by discounts, sales, or special offers. They might switch brands based on price promotions, contributing to fluctuating sales volumes.

5. Status Seekers: These consumers are driven by status and prestige. They buy products or brands that signify luxury, exclusivity, or social standing.

6. Sustainable Consumers: These consumers prioritize environmental and social responsibility. They seek products from companies with eco-friendly practices and ethical values.

7. Digital Consumers: With the rise of online shopping, digital consumers prefer the convenience of e-commerce platforms. They rely on online reviews, recommendations, and social media for purchasing decisions.

8. Value Seekers: Value seekers prioritize getting the best value for their money. They seek products that offer quality at a reasonable price.

9. Innovators/Early Adopters: These consumers are trendsetters who eagerly adopt new products or technologies. Their acceptance often influences broader market acceptance.

10. Needs-based Consumers: These consumers focus on practicality and functionality. They buy products that serve a specific need or solve a particular problem.

Understanding these consumer types helps businesses tailor their marketing strategies, product offerings, pricing, and communication to cater to diverse consumer needs, preferences, and motivations. Each consumer type plays a distinct role in influencing market trends, brand perceptions, and overall sales performance.

4.2 The consumer buying process

The consumer buying process, also known as the buyer's journey, refers to the series of steps or stages a consumer goes through before making a purchase decision. It typically involves the following stages:

1. Recognition of Need: The process begins when a consumer realizes they have a need or want that requires satisfaction. This need could arise from internal triggers (like hunger or thirst) or external stimuli (such as advertising).

2. Information Search: After recognizing the need, consumers actively seek information about available options to fulfill that need. They may gather information from various sources, including online research, reviews, recommendations, or personal experiences.

3. Evaluation of Alternatives: Consumers assess and compare different products or brands based on various factors such as price, quality, features, reputation, and personal preferences. This evaluation helps narrow down the choices.

4. Purchase Decision: Once the consumer has evaluated the options, they make a decision to purchase a specific product or brand. This decision could be influenced by factors like price, availability, perceived value, or emotional attachment to the brand.

5. Post-Purchase Evaluation: After making the purchase, consumers assess their satisfaction with the product. This evaluation influences future buying behavior. If satisfied, it may lead to loyalty and repeat purchases. If dissatisfied, it could result in product returns, negative reviews, or a decision not to repurchase.

This process isn't always linear and can vary based on the type of product, individual preferences, and circumstances. Additionally, factors like marketing efforts, social influence, and personal experiences can significantly impact each stage of the buying process.

Understanding the consumer buying process helps businesses tailor their marketing strategies to meet consumer needs at each stage, address concerns, provide information, and ultimately influence purchase decisions. It's essential for businesses to engage effectively with consumers throughout this journey to maximize the likelihood of a successful sale and foster long-term relationships.

4.3 Levels of Consumer Decision Making

Consumer decision-making processes can vary based on the complexity of the purchase and the level of involvement or thought consumers put into their choices. Generally, there are three levels of consumer decision-making:

1. Routine Decision Making: These are low-involvement purchases where consumers make routine decisions without much deliberation. These purchases involve everyday items like groceries, household products, or routine services. Consumers typically have prior experience and familiarity with these products, leading to quick and habitual decision-making.

2. Limited Decision Making: This level involves moderate-involvement purchases that require a bit more consideration and evaluation. Consumers engage in limited decision-making when buying products that are moderately expensive or moderately important. They might compare a few options based on certain criteria before making a choice. For instance, buying clothing, electronics, or household appliances might involve this level of decision-making.

3. Extensive Decision Making: This is high-involvement decision-making, often associated with significant purchases that require substantial research, evaluation, and consideration. Consumers engage in extensive decision-making when buying expensive items like a house, a car, or making decisions related to healthcare, education, or investment.

These levels aren't strictly distinct categories but rather represent a spectrum. A product might fall into different levels for different consumers based on their individual preferences, experiences, and circumstances. Additionally, external factors such as marketing efforts, peer influence, or time constraints can influence the level of decision-making for a particular purchase. Understanding these levels helps businesses tailor their marketing strategies and engagement efforts to match consumers' decision-making processes at various stages.

4.4 Factors influencing consumer buying process

Consumer buying processes are influenced by a multitude of factors that shape how individuals make purchasing decisions. Some key factors include:

1. Psychological Factors: These include individual motivations, perceptions, attitudes, beliefs, and emotions. Motivations can range from basic needs (like hunger) to higher-level needs (like status). Perception and attitude towards a product can greatly influence the decision-making process.

2. Social Factors: Social influences from family, friends, peers, and reference groups play a significant role. Cultural norms, societal values, and trends also impact consumer behavior. For instance, certain products or brands might be associated with social status or acceptance within a group.

3. Personal Factors: Personal characteristics such as age, gender, lifestyle, occupation, income, education, and personality traits influence buying behavior. Different demographics have varying needs and preferences that impact their decision-making.

4. Economic Factors: Economic factors such as income, price, affordability, and perceived value affect purchasing decisions. Consumers assess whether a product is worth the cost and if they can afford it within their budget constraints.

5. Marketing and Advertising: Marketing efforts, advertising, promotions, and brand messaging significantly influence consumer perceptions and choices. Effective marketing strategies can sway consumer preferences and drive purchasing decisions.

6. Technological Influences: Advancements in technology and digital platforms have altered consumer behavior. Online reviews, social media, e-commerce, and mobile apps influence consumer decision-making by providing information, recommendations, and convenience.

7. Environmental and Situational Factors: Environmental factors like time constraints, urgency, and immediate needs impact consumer decisions. Situational factors, such as the purchase occasion or context, can influence whether a consumer decides to buy a product.

8. Product and Service Attributes: Attributes such as quality, features, design, availability, and after-sales service also influence purchasing decisions. Consumers assess these factors to determine the suitability of a product for their needs.

4.5 Needs and motivations

Understanding these influencing factors is essential for businesses as it helps in crafting effective marketing strategies, product development, and customer engagement initiatives that align with consumer needs, preferences, and behaviors.

Needs and motivations are key drivers of human behavior and play significant roles in consumer decision-making. Here's a breakdown of these concepts:

1. Needs: Needs are basic human requirements essential for survival and well-being. These can be categorized into primary needs (physiological) and secondary needs (psychological).

Examples of primary needs include food, water, shelter, and safety. Secondary needs encompass social belongingness, esteem, and self-actualization.

2. Types of Needs:

- Physiological Needs: These are basic biological requirements like food, water, sleep, and shelter.
- Safety Needs:Needs for security, stability, protection from physical or emotional harm.
- Belongingness and Love Needs: Needs for social interaction, relationships, affection, and a sense of belonging.
- Esteem Needs: Needs for recognition, respect, achievement, and self-worth.
- Self-Actualization Needs: The highest level of needs, involving personal growth, self-fulfillment, and realizing one's potential.

3. Motivation: Motivation is the driving force that energizes behavior to fulfill needs or achieve certain goals. It's the internal process that initiates, guides, and sustains behavior toward satisfying needs or reaching desired outcomes.

4. Relationship between Needs and Motivation: When a need arises, it creates a state of tension or discomfort, motivating individuals to take action to fulfill that need. For instance, hunger (a need) motivates someone to seek food. As needs are met, new needs or higher-level needs emerge, driving continued motivation and behavior.

In the context of consumer behavior, understanding consumers' needs and motivations is crucial for marketers. By identifying and appealing to these needs, marketers can develop products, services, and marketing strategies that resonate with consumers' desires, leading to higher engagement, satisfaction, and ultimately, sales. Marketers often tap into consumers' motivations by aligning their offerings with fulfilling needs, solving problems, providing convenience, or offering emotional benefits to attract and retain customers.

4.6 PERCEPTION

Perception refers to the process by which individuals interpret and make sense of sensory information received from the environment. It involves selecting, organizing, and interpreting sensory inputs to understand the world around us. Here are key points about perception:

1. Sensory Inputs: Perception begins with exposure to stimuli from our surroundings, including visual, auditory, tactile, olfactory, and gustatory sensations.

2. Selection: Not all stimuli are consciously recognized or processed. Selective attention allows individuals to focus on certain stimuli while filtering out others based on relevance, intensity, or personal interests.

3. Organization: Once stimuli are selected, the mind organizes them into meaningful patterns, structures, or categories. This process involves grouping and organizing information to make sense of it.

4. Interpretation: Interpretation involves assigning meaning to the organized sensory inputs based on personal experiences, beliefs, expectations, and cultural influences. Two individuals may interpret the same stimuli differently due to their unique perceptions.

5. Influences on Perception: Perception is influenced by various factors, including individual differences, past experiences, expectations, cultural background, social context, and emotions. These factors shape how stimuli are perceived and understood.

6. Perceptual Errors: Perception is susceptible to biases, distortions, and perceptual errors. Factors like stereotypes, preconceptions, and cognitive biases can lead to misinterpretation or incomplete understanding of stimuli.

7. Role in Marketing: In marketing, perception plays a crucial role as companies aim to influence how consumers perceive their products or brands. Marketers use strategies to shape perceptions through branding, packaging, advertising, and creating positive associations to influence consumer attitudes and behaviors.

Understanding perception helps marketers create effective strategies that align with consumers' perceptual processes. By appealing to consumers' perceptions, marketers can influence how products are perceived, differentiate brands from competitors, and create favorable impressions that drive consumer preferences and choices.

4.7 Attitude and attitude change

Attitudes are a combination of beliefs, feelings, and behavioral tendencies towards a particular object, person, group, idea, or situation. They shape individuals' responses and behaviors, influencing how they perceive and interact with the world. Attitude change refers to the modification or alteration of these attitudes, often influenced by various factors. Here are key points about attitudes and attitude change:

1. Components of Attitudes: Attitudes consist of three components:

- Cognitive Component: Beliefs or thoughts about the object.
- Affective Component:Emotional feelings or reactions associated with the object.
- Behavioral Component: Behavioral tendencies or actions in response to the object.

2. Formation of Attitudes: Attitudes can be formed through various sources, including personal experiences, social influences, education, culture, and media exposure. They can develop over time and are subject to change.

3. Attitude Change Theories: Several theories explain how attitudes change:

- Cognitive Dissonance Theory: People seek consistency between beliefs and behaviors. Inconsistent beliefs or actions may lead to discomfort, prompting attitude change.
- Elaboration Likelihood Model: Attitude change can occur through either central (thoughtful, information-based) or peripheral (less thought-based) routes, depending on the level of engagement with the message.
- Social Influence Theories: Attitudes can be influenced by social norms, peer pressure, conformity, or persuasive communication.

4. Strategies for Attitude Change: Marketers and communicators often employ strategies to influence attitude change:

- Persuasion: Using logical arguments, emotional appeals, or credible sources to persuade individuals.
- Social Influence: Leveraging social norms, group influences, or endorsements to change attitudes.
- Education and Information: Providing factual information or corrective feedback to modify beliefs and attitudes.

5. Resistance to Attitude Change: Individuals may resist attitude change due to factors like strong prior beliefs, fear of change, selective exposure to information, or cognitive biases.

6. Applications in Marketing: Understanding attitudes and attitude change is vital in marketing to influence consumer perceptions, preferences, and purchasing behaviors. Marketers often aim to create positive attitudes towards their products or brands through advertising, endorsements, and brand positioning.

Attitudes can be relatively stable but are not fixed. They can be influenced, modified, or changed over time through various strategies and influences, impacting individuals' behaviors and decision-making processes.

4.8 Learning and learning theories

Learning refers to the process of acquiring knowledge, skills, behaviors, or attitudes through experience, study, or instruction. Various theories attempt to explain how learning occurs and how behaviors are shaped. Here are key learning theories:

1. Behaviorism:his theory focuses on observable behaviors and the impact of the environment on behavior. It emphasizes the role of conditioning and reinforcement in learning.

- Classical Conditioning (Pavlov):Associating a neutral stimulus with a reflexive response to evoke a similar response. For instance, associating a bell ringing (neutral stimulus) with food (unconditioned stimulus) to make a dog salivate (conditioned response).
- Operant Conditioning (Skinner): Learning through consequences of actions. Behavior is reinforced (strengthened) by rewards or punished (weakened) by consequences.

2. Cognitive Theory: Cognitive theories of learning focus on internal mental processes and understanding how individuals process, organize, and retain information.

- Information Processing Theory: Views the mind as a computer, processing, storing, and retrieving information through sensory input, encoding, storage, and retrieval.
- Social Cognitive Theory (Bandura): Emphasizes observational learning, where individuals acquire behaviors by observing others and modeling their actions.

3. Constructivism: This theory posits that learners actively construct their own understanding and knowledge based on prior experiences and interactions with the environment. Learning is seen as a dynamic, individualized process.

- **Social Constructivism (Vygotsky): Emphasizes the role of social interactions and culture in cognitive development. Learning occurs through social collaboration and interaction.

4. Humanistic Theory: Focuses on personal growth, self-actualization, and the innate drive for individuals to fulfill their potential. Learning is seen as a self-directed and growth-oriented process.

- Maslow's Hierarchy of Needs: Suggests that individuals have innate needs that drive behavior, starting from basic physiological needs and progressing to higher-level needs like self-actualization.

5. Connectivism: A contemporary theory that focuses on learning in the digital age, highlighting the importance of networks, connections, and technology in acquiring and processing information.

These theories offer different perspectives on how learning occurs, highlighting the role of various factors, including environmental influences, cognitive processes, social interactions, and individual experiences. They provide frameworks for educators, psychologists, and practitioners to understand and facilitate learning processes in diverse settings and contexts.

4.9 Personality and life style analysis.

Personality and lifestyle analysis involves understanding individuals' unique characteristics, behaviors, preferences, and choices to gain insights into their motivations, attitudes, and decision-making processes. Here's an overview:

1. Personality Analysis:

-**Personality Traits:** These are enduring patterns of thoughts, feelings, and behaviors that characterize individuals. The Five Factor Model (OCEAN) includes traits like Openness, Conscientiousness, Extraversion, Agreeableness, and Neuroticism.

- **Assessment Tools:**Various assessments, such as personality inventories (e.g., Myers-Briggs Type Indicator - MBTI) or Big Five personality tests, help in categorizing individuals based on their personality traits.

2. Lifestyle Analysis:

- **Lifestyle Segmentation:** Segmenting individuals based on their activities, interests, opinions, values, hobbies, spending habits, and social behaviors.

- VALS (Values, Attitudes, and Lifestyles): A widely-used segmentation system that classifies consumers into groups based on psychological traits and resources, distinguishing between primary motivations and resources.

3. Role in Marketing:

- **Market Segmentation:** Personality and lifestyle analysis aid in market segmentation, allowing businesses to categorize consumers into groups with similar characteristics for targeted marketing.

- **Product Positioning:** Understanding personalities and lifestyles helps in positioning products or brands to align with consumer preferences and values.

- **Consumer Behavior Insights:** Insights from personality and lifestyle analysis provide valuable information about consumer behavior, motivations, and decision-making processes.

4. Benefits:

- **Targeted Marketing:** Allows businesses to tailor marketing strategies, messages, and product offerings to resonate with specific personality types or lifestyle segments.

- **Predictive Insights:** Helps predict consumer preferences, buying behaviors, and responses to marketing stimuli.

- **Brand Loyalty:**Understanding personalities and lifestyles assists in building relationships and fostering brand loyalty by addressing consumers' values and preferences.

5. Challenges:

- **Complexity:** Human behavior is multifaceted, making it challenging to accurately categorize individuals based solely on personality or lifestyle factors.
- **Dynamic Nature:** Personality and lifestyle are not static and can evolve over time due to various influences and experiences.

Combining personality traits with lifestyle characteristics provides a comprehensive understanding of consumers, enabling businesses to develop more effective marketing strategies and better cater to their target audience. However, it's important to use these analyses as guidelines rather than rigid classifications, considering the complexity and diversity of human behavior.

Check your Progress

MCQ

1. What does the term "psychographics" refer to in consumer behavior?
   a) Demographic chara teristics
   b) Social influences
   c) Personality, values, interests, and lifestyles
   d) Geographic location
2. Which factor primarily influences the process of socialization in consumer behavior?
   a) Family
   b) Age
   c) Occupation
   d) Culture
3. What is the concept that explains how individuals seek consistency among their attitudes, beliefs, and behaviors?
   a) Social influence
   b) Cognitive dissonance
   c) Selective attention
   d) Perceived risk
4. In the consumer decision-making process, what stage follows problem recognition?
   a) Information search
   b) Evaluation of alternatives
   c) Purchase decision
   d) Post-purchase behavior

5. Which type of buying decision behavior involves high consumer involvement but significant differences between brands?

   a) Complex buying behavior

   b) Dissonance-reducing buying behavior

   c) Habitual buying behavior

   d) Variety-seeking buying behavior

   Answers: 1.c), 2.a), 3.b), 4.a), 5.a)

Short question

1. Define psychographics in the context of consumer behavior.
2. How does culture influence the purchasing decisions of individuals?
3. Explain the concept of selective attention in consumer behavior.
4. What is the key difference between routine buying behavior and complex buying behavior?
5. Describe the influence of user-generated content (UGC) on online consumer behavior.

Descriptive question

1. Discuss how personal factors such as demographics, lifestyle, and personality impact individual consumer choices.
2. Elaborate on the concept of perception and how it shapes the way consumers interpret and make sense of marketing stimuli.
3. Examine the role of reference groups, family, and social class in influencing consumer behavior. How do these social factors contribute to the formation of attitudes and preferences?
4. Explore the impact of cultural factors on consumer behavior, emphasizing the role of culture, subculture, and socialization in shaping purchasing decisions.
5. Discuss the significance of information search and how consumers gather and process information before making a decision.

UNIT V: Socio-Cultural Determinants of Consumer Behaviour& Models of Consumer Behaviour

Reference Group and their influences,Socialclass,Culture and sub-culture,Cross-cultural dimensions of consumer behaviour,Organisation buying behaviour,ConsumerBehaviour models

Reference groups

Reference groups are social groups or communities that individuals use as a standard for evaluating their own attitudes, behaviors, values, and choices. These groups play a crucial role in shaping consumer

1. Types of Reference Groups:

Direct Reference Groups: These include primary groups like family, friends, colleagues, or peers with whom individuals have direct interactions and close relationships.

Indirect Reference Groups:These encompass aspirational groups (those individuals aspire to join) and associative groups (those individuals are indirectly connected to, such as celebrities or influencers).

2. Influence on Consumer Behavior:

- Normative Influence: Reference groups set norms, values, and standards that influence individuals' perceptions of what is desirable or acceptable. They shape consumer choices by defining social norms and expectations.
- Informational Influence: Individuals seek information and guidance from reference groups regarding product choices, brands, trends, and opinions. They consider reference group recommendations or behaviors as credible and reliable.

3. Impact Areas:

- Purchase Decisions: Reference groups influence what products or brands individuals choose to buy. Consumers often mimic or aspire to the consumption patterns of their reference groups.
- Brand Preferences:Consumers may align their brand preferences with those of their reference groups to gain acceptance or identification within the group.
- Consumer Habits: Reference groups influence lifestyle choices, habits, and consumption behaviors, including clothing styles, leisure activities, or media consumption patterns.

4. Marketing Strategies: - Aspirational Branding: Marketers use aspirational or associative groups in advertising and branding to create an association between their product and a desirable lifestyle or social status.

- Influencer Marketing: Leveraging influencers or opinion leaders from reference groups to endorse products or services, as their recommendations carry weight and influence their followers' decisions.

5. Challenges:

- Diversity: Individuals may belong to multiple reference groups with conflicting preferences, making it challenging to predict their behavior solely based on one group's influence.
- Individual Differences: Not all individuals are equally influenced by reference groups; factors like personality, values, and degree of group identification can vary.

Understanding the dynamics of reference groups is crucial for marketers as it helps in developing targeted marketing strategies that resonate with consumers' social identities, values, and aspirations, ultimately influencing their purchasing decisions and behaviors.

5.1 Cross-cultural dimensions of consumer behaviour

Cross-cultural dimensions of consumer behavior highlight the impact of cultural differences on individuals' attitudes, values, behaviors, and consumption patterns. Here are brief notes on this topic:

1. Cultural Variations:

Values and Beliefs: Different cultures have distinct values, beliefs, and norms that shape consumer behavior. For instance, individualistic cultures value independence and personal achievement, while collectivist cultures emphasize group harmony and social relationships.

Symbols and Meanings: Cultural symbols, language, rituals, and traditions influence consumers' perceptions and interpretations of products, brands, and marketing messages.

2. Hofstede's Cultural Dimensions:

Power Distance: The degree to which a society accepts unequal distribution of power.

Individualism vs. Collectivism: Emphasizes individual vs. group interests and relationships.

Masculinity vs. Femininity:Focuses on competitive vs. nurturing societal values.

Uncertainty Avoidance:Measures tolerance for ambiguity and uncertainty. Long-term vs. Short-term Orientation:Relates to time orientation and focus on future vs. present.

3. Impact on Consumer Behavior: Purchase Decisions:Cultural values influence what, why, and how consumers buy products. For example, some cultures prioritize frugality, while others value luxury and conspicuous consumption.

Brand Preferences: Cultural values shape brand perceptions, influencing preferences and loyalty. Certain brands may align better with specific cultural values.

Communication and Marketing: Cultural nuances impact marketing strategies, requiring adaptations in messaging, imagery, and advertising content to resonate with diverse cultural audiences.

Consumer Habits: Cultural differences influence consumption habits, shopping preferences, decision-making processes, and responses to marketing stimuli.

4. Challenges in Cross-Cultural Marketing:

Misinterpretation: Misunderstanding cultural cues may lead to inappropriate or offensive marketing strategies.

Stereotyping: Assuming homogeneity within cultures can lead to oversimplification or stereotyping, overlooking diverse subcultures and individual differences.

Adaptation Difficulty: Adapting marketing strategies to diverse cultural contexts without diluting brand identity can be challenging.

Understanding cross-cultural dimensions is crucial for businesses operating in diverse markets to develop culturally sensitive and effective marketing strategies. It helps in navigating cultural differences, connecting with consumers, and fostering positive brand perceptions among diverse cultural groups.

5.2 Consumer behavior models

Consumer behavior models are frameworks that help explain and predict how consumers make purchasing decisions. Here are short notes on a few prominent models:

1. The Consumer Decision-Making Process Model (CDM):

- **Stages:**Divides the buying process into sequential stages: problem recognition, information search, evaluation of alternatives, purchase decision, and post-purchase evaluation.
- **Applicability:** Helps marketers understand consumer behavior at each stage, allowing them to tailor marketing strategies accordingly.

2. Howard-Sheth Model:

- **Multi-Attribute Model:** Considers consumer decision-making as a cognitive process based on attributes such as attitudes, beliefs, and intentions.
- **Components:**Includes inputs (stimuli, individual characteristics), psychological processes (perception, learning), and outputs (purchase decisions).
- **Applicability:** Emphasizes the role of consumer perceptions and cognitive processes in decision-making.

3. Engel-Kollat-Blackwell Model (EBK Model):

- **Information Processing Model:** Views consumer decision-making as a sequential process influenced by various factors.
- **Stages:** Includes problem recognition, internal and external information search, alternative evaluation, purchase decision, and post-purchase evaluation.
- **Applicability:** Recognizes the dynamic nature of consumer behavior and the impact of marketing activities on the decision-making process.

4. Fishbein Model (Theory of Reasoned Action):

- **Attitude-Behavior Model:** Focuses on how attitudes influence behavior.
- **Components:** Evaluates consumers' behavioral intentions based on their attitudes toward the behavior and subjective norms.
- **Applicability:** Helps in understanding how attitudes and social norms influence consumer behavior.

5. The Diffusion of Innovations Theory (Rogers):

- **Adoption of Innovations:** Explains how new products or innovations are adopted by consumers.
- **Categories of Adopters:** Divides consumers into innovators, early adopters, early majority, late majority, and laggards, based on their readiness to adopt innovations.
- **Applicability:** Helps predict and understand the adoption rates and patterns of new products or ideas in the market.

These models provide frameworks for marketers and researchers to comprehend and predict consumer behavior, enabling them to develop effective marketing strategies and understand the dynamics of consumer decision-making processes. Each model offers a different perspective on how consumers make choices and helps in understanding the complexities of consumer behavior.

Check your Progress

MCQs

1. Which of the following best defines a reference group in consumer behavior?
   a) A group of individuals with similar demographic characteristics
   b) A group of individuals that an individual aspires to join or identifies with
   c) A group of individuals solely based on social media connections
   d) A group of individuals who influence government policies
2. Direct reference groups include:

a) Aspirational groups

b) Associative groups

c) Family, friends, and peers

d) Celebrities and influencers

3. Normative influence in reference groups refers to:

a) The impact of reference groups on social norms and expectations

b) The level of conformity within the group

c) The direct involvement of the group in decision-making

d) The group's association with influential figures

4. Informational influence in reference groups relates to:

a) The group's role in setting trends

b) The group's ability to provide information and guidance

c) The group's representation of popular culture

d) The group's role in political decisions

5. Which marketing strategy involves leveraging reference groups for product endorsement or recommendation?

a) Psychographic segmentation

b) Aspirational marketing

c) Influencer marketing

d) Price skimming strategy

Answers:

1. b) A group of individuals that an individual aspires to join or identifies with
2. c) Family, friends, and peers
3. a) The impact of reference groups on social norms and expectations
4. b) The group's ability to provide information and guidance
5. c) Influencer marketing

Short Questions

1) What is reference group?
2) What do you mean by culture?
3) What is cross cultural dimension?

Long Questions.

Q1) Explain in brief consumer behaviour models.

Q2) Highlight the cross cultural dimensions of consumer behaviour.

Unit V: Socio-Cultural Determinants of Consumer Behaviour& Models of Consumer Behaviour

Reference Group and their influences; Social class; Culture and sub-culture. Cross-cultural dimensions of consumer behavior; Influence of technology on consumer behavior; Organisation buying: Concept, Organisation buying vs Consumer buying; Consumer Behaviour models: Black box model, Howard and Sheth model, Engel Kollat and Blackwell model, Five stage model

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Suggested Readings (Latest Edition)

1. Armstrong G & Kotler P, Marketing an Introduction, Pearson Education
2. Gopal R, Marketing Management, Vikas Publications
3. Kotler and Keller, Marketing Management, Prentice Hall
4. Mullins J W / Walker O C, Marketing Management, Tata McGraw Hill
5. Palmar .A, Introduction to marketing, Oxford University Press
6. Ramaswamy V S / Kumari S N, Marketing Management,MacMillan
7. Saxena R / Marketing Management, Tata McGraw Hill Ltd
8. Stanton M. J / Etzel M J, Marketing, Tata McGraw Hill
9 Schiffman, L.G. and L.L.Kanuk, Consumer Behaviour, Prentice Hall
10. Engel, J.F., Roser D. Blackwell and Paul W. Miniard, Consumer Behaviour, Cengage Learning
11. Peter, J. Paul, and Jerry C. Olson, Consumer Behaviour and Marketing Strategy, McGraw Hill
12. Hawkins, Dal I., Roger J. Best and Kenneth A. Coney, Consumer Behaviour Implication for Marketing Strategy, McGraw Hill
13. Hawkins, Del I, Mothersbaugh, David L, Mookerjee A, Consumer Behaviour: Building Marketing Strategy, McGraw Hill

Techno City, Khanapara, Kling Road, Baridua, 9th Mile,
Ri-Bhoi, Meghalaya-793101
Phone: 9508 444 000, Web : www.ustm.ac.in