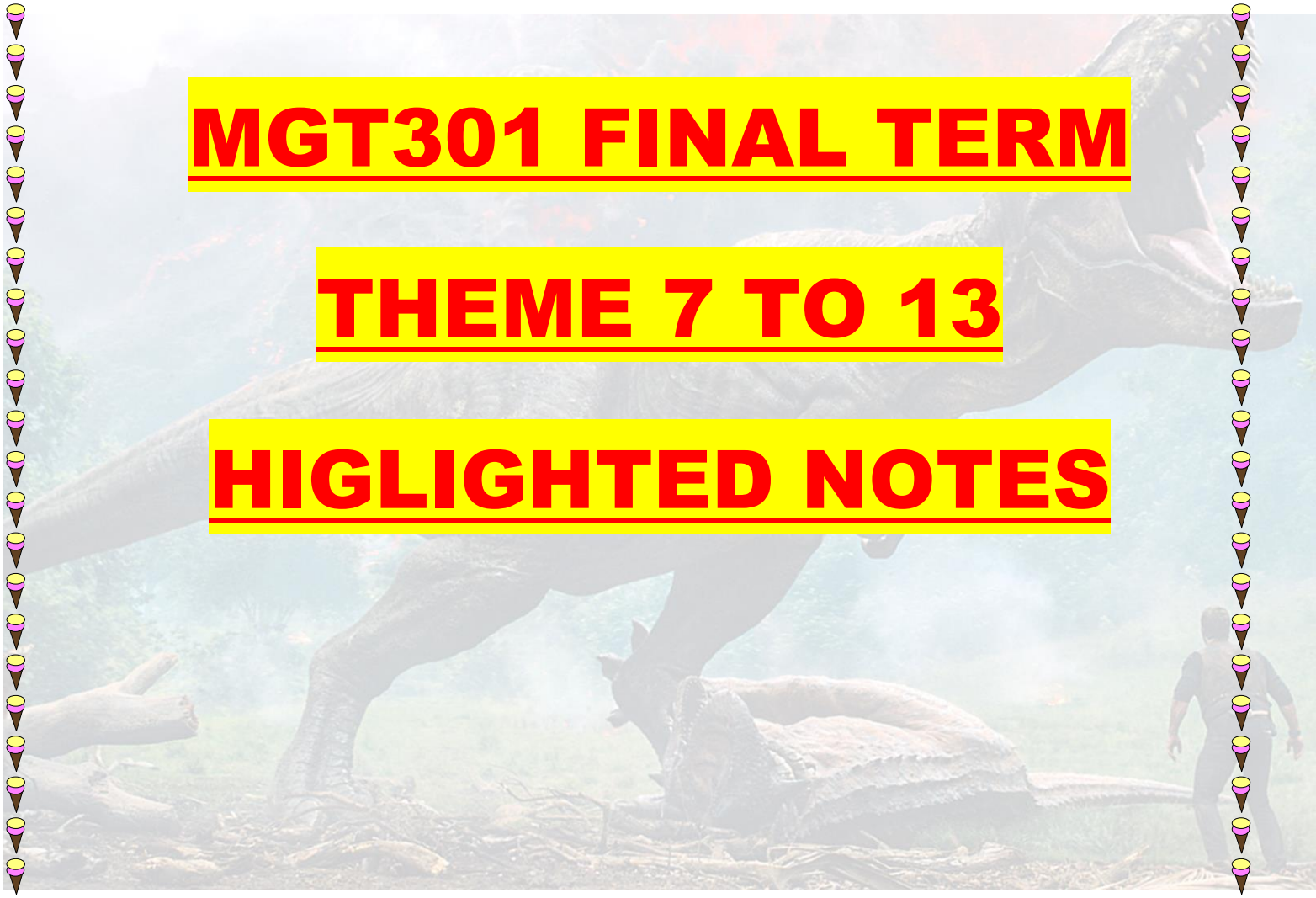


MGT301 FINAL TERM

THEME 7 TO 13

HIGLIGHTED NOTES

Technical Articles – MGT301

Theme No.7: Customer Driven Marketing Strategy

In customer driven marketing strategy, companies have to answer two questions;

1. Which customers will we serve?
2. How will we serve them?

There are four pillars of organization strategies to address above questions.

Select customers to serve

1. Segmentation
2. Targeting

Decide owner value proposition

3. Differentiation
4. Positioning

Simple definition of market segmentation is that to divide the market into two or more parts. As we know that, a single organization cannot serve the whole market that is why they have to divide the market into different parts. Here are the types of the segmentation in which market can be divided into segments such as;

Geographic Segmentation: Geographic segmentation divides the market into different geographical units such as nations, regions, states, provinces, or cities. Such as a country has many regions, nations and provinces. In the same way a company segments a market on the basis of rural and urban areas.

Demographic Segmentation: Demographic segmentation is a process of dividing the market into groups based on variables such as age, gender, family size, family life cycle, income, occupation, education, religion, race, generation, and nationality. For example, a company segments a market on the basis of gender such as male or female.

Psychographic Segmentation: Psychographic segmentation is a process of dividing a market into different segments based on social class, lifestyle, or personality characteristics. For example, a company segments a market on the basis of low income class, middle income class, and upper income class.

Behavioral segmentation: Behavioral segmentation is a process of dividing the market into groups based on their knowledge, attitudes, uses, or responses to a product, occasions, benefits sought, user status, usage rate and loyalty status. For example, a company divides a market on the basis of special occasions/ festivals such as on Christmas, Independence Day or in the holy month of Ramzan.

All above types are for segmenting consumer market, if company wants to segment business market then company should consider additional variables such as; customer operating characteristics, purchasing approaches, situational factors and personal characteristics. If a company wants to segment international market then company should consider geographical location, economic factors, political factors and cultural factors for better segmentation.

Here are some **requirements for effective segmentation** such as segment should be measurable (what will be expected business potential/revenue etc.), accessible, substantial (to check whether a segment has some potential to recover investment/return or not), differentiable (differentiate from other segment) and actionable (marketing mix, that are action points, will be properly designed).

After segmentation, company evaluates each segment and then select the best suited for the organization, the whole process is called market targeting. Target market is a set of buyers who share common needs or characteristics that the company decides to serve. Company has to consider segment size and growth, segment structure attractiveness, and organization objectives and resources before targeting the market.

There are some types of target market strategies which are given below;

Undifferentiated/Mass Marketing: Target the whole market with one offer and focuses on common needs rather than what's different. You can say this strategy as "one-size-fits-all" and focus of this strategy is on common needs of customers.

Differentiated/Segmented Marketing: Targeting several different market segments and designing separate offer for each and goal is to achieve higher sales and stronger position. Main purpose of this strategy is to focus on differences.

Concentrated/Niche Marketing: In niche marketing a firm focuses on one specialized part of a segment. For example, a company is going to target only BMW customers.

Micro Marketing: Tailoring products and marketing programs to suit the needs and wants of specific individuals and local customers, also called tailor made marketing. For example, a tailor stitching clothes according to customer need same like that companies try to serve customers on individual level.

Local Marketing: Design different offering for different localities such as a brand has different offering/assortment in posh area and same branch has different offering/assortment in low income level area.

After segmentation and target marketing now company has to choose point of differences and what will be positioning strategy. The place that organization wishes to have in the mind of customers, distinct and better than the competitors is known as **product position** and the process by which such position is attained is known as **positioning**. Positioning depends upon point of difference and that point of difference is called competitive advantage. **Competitive advantage** is an advantage over competitors gained by offering consumers greater value, either through lower prices or by providing more benefits that justify higher prices.

Some options for differentiation are given below;

1. Product Differentiation (Functionally different from others)

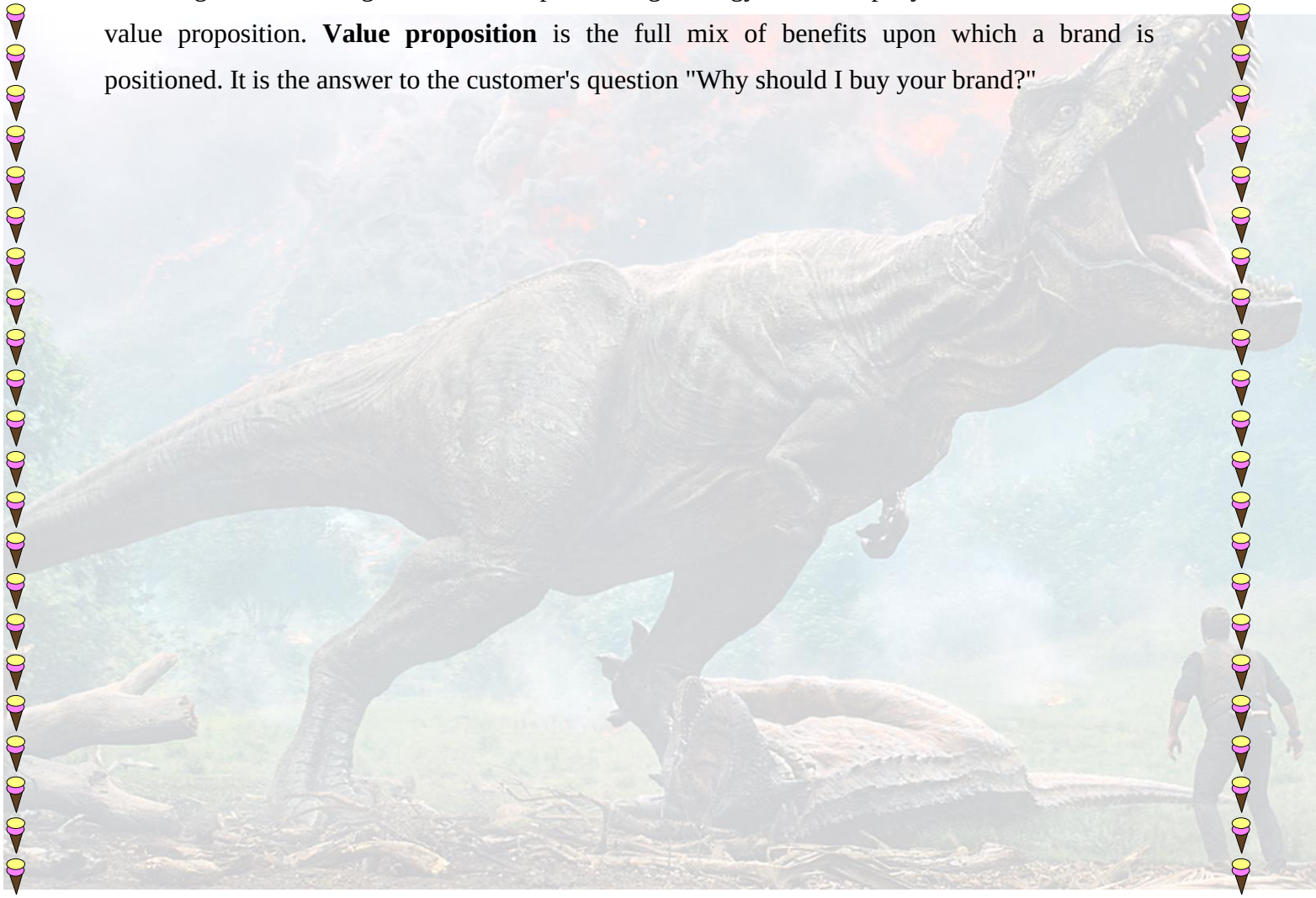
2. Service Differentiation (After sales services are different from others)

3. Channel Differentiation (Online sale/purchase of products)

4. People Differentiation (Staff/employee's style of dealing with customers is different from others)

5. Image Differentiation

After segmentation, target market and positioning strategy now company has to decide about value proposition. **Value proposition** is the full mix of benefits upon which a brand is positioned. It is the answer to the customer's question "Why should I buy your brand?"



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Theme 8: Product, Brands & Services

A Product is anything that can be offered in a market for attention, acquisition, use, or consumption that might satisfy a need or want. Consumption of a product creates an experience. Product experience is the overall value of a product or service to customers. There are three levels of products.

1) Core customer value.
2) Actual Product.
3) Augmented product.

The first level of product is core customer value. When a marketer designs a product, he should first think of the core problem which he is going to solve for the user. What is the core benefit a customer gets from buying the product? For example, you buy toothpaste. So the core purpose of buying toothpaste is oral cleaning. The second level of a product is **actual product.** Marketers should turn the core benefit, the core customer value they identified into an actual product by adding product features, design, a quality level, a brand name, and even packaging. The augmented product rounds of the three levels of product, being built around the core value and the actual product. It simply offers additional consumer services and benefits likewise delivery and credit, after-sale services, warranty, and customer support.

There are two types of products. One is consumer product and the second one is industrial product. The products used for personal consumption are known as consumer products like milk, bread, and toothpaste, etc. The second one is industrial products which are used by a company for business consumption for example, surgical instruments and machinery used in production, etc. Usually, mass media is used for the marketing of consumer products. Talking more about consumer products, they are classified into Convenience products, Shopping products, Specialty products, and Unsought products. Convenience products are consumer products and services that the customer usually buys frequently, immediately, and with a minimum comparison and buying

effort. For example, Newspapers, Candy, and Fast food, etc. Shopping products are consumer products and services that the customer compares carefully on suitability, quality, price, and style. For example, furniture, cars, and appliances, etc. Specialty products are consumer products and services with unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort. For example, Medical services, Designer clothes, and High-end electronics, etc. Unsought products are consumer products that the consumer does not know about or knows about but does not normally think of buying. For example, life insurance, funeral services, and blood donations, etc.

As we have discussed above that the Products purchased for further processing or for use in conducting business are known as industrial products. The industrial products are classified into:

1) Capital items
2) Materials and parts and
3) Supplies and services.

The Capital items are industrial products that aid in the buyer's production or operations. For example, production plant and equipment, etc. Materials and parts include raw materials and manufactured materials and parts usually sold directly to industrial users likewise stainless steel in surgical instruments, etc. Supplies and services include operating supplies, repair and maintenance items, and business services likewise oil or diesel required for plant to produce something.

There are some special concepts associated with marketing. Let's discuss them one by one. The first one is organizational marketing. It consists of activities undertaken to create, maintain, or change attitudes and behavior of target consumers toward an organization. The objective of organizational marketing is to build a better image of a company or organization in front of its customers. The second one is person marketing and it consists of activities undertaken to create, maintain, or change attitudes and behavior of target consumers toward particular people. Likewise, political parties use person marketing to promote their political leaders. The third one is place marketing which consists of activities undertaken to create, maintain, or change attitudes

and behavior of target consumers toward particular places. Countries use place marketing to promote tourism in their country. A country's foreign offices are the marketing offices of a country. They build a good image of their country to promote tourism and generate foreign exchange. The fourth concept is social marketing which consists of the use of commercial marketing concepts and tools in programs designed to influence individuals' behavior to improve their well-being and that of society. Likewise Sapphire started a campaign of using eco-friendly seed bags.

As a marketer, when you develop a product you have to make certain decisions regarding that product. There are three levels of product decisions.

1) Individual product decisions
2) Product line decisions
3) Product mix decisions.

Individual product decisions include five types of decisions which are product attributes, branding, packaging, labeling and support Services. Product attributes are the benefits of a product or service likewise quality, features and style, and design. Brand is the name, term, sign, or design or a combination of these that identifies the maker or seller of a product or service. Packaging involves designing and producing the container or wrapper for a product. Labels identify the product or brand, describe attributes, and provide promotion. Support Services generally include after sale services, and warranties etc.

Usually organizations do not produce single product. They produce multiple products like Unilever produces multiple products. Some products are related to each other like all the products in the apparel category. Some have same nature of products but different in functionality likewise some organizations produce two wheelers, trucks, cars, SUV's and busses. So, a group of products that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges known as product line. For example, Suzuki has one product line of two wheelers, second product line for cars, and third product line for SUV's and so on. Product line decisions include product length which indicates the number of items in the product line. It

indicates that how many products are in a product line. Line stretching is another concept of product line decisions in which an expanding strategy by a company where new products are launched in the same product line but beyond the current product range with some additional or different features. For example, Suzuki introduces another new bike for females with different colors and different engine power. Line filling is a business strategy in which we increase the numbers of products in an existing product line to take advantage of marketplace gaps and reduce competition. Many businesses use line filling to round out an already well-established product line and to help increase the market success of new related products.

The next decisions that a marketer has to take are product mix decisions. They consist of all the products and items that a particular seller offers for sale. There are four important concepts about product mix, and those are width, length, depth, and Consistency. **Width** is the number of different product lines carries by the company. Length is the total number of items in the product line. Depth is the number of versions offered of each product in the line. Consistency is closely related the various **product** lines.

The brand represents the consumer's perceptions and feelings about a product and its performance. So you can say that it is the organization's promise to deliver a specific set of features, benefits, services, and experiences consistently to the buyers. It helps to identify and recall the brand. The process of the brand-building consists of brand positioning, brand name selection, brand sponsorship, and brand development. The process of the brand building depends on these four concepts that how you position your brand? How you select the brand name? How you utilize the concept of brand expansion? And how you implement brand development strategies?

Brand positioning refers to the place that a brand occupies in the minds of the customers and how it is distinguished from the products of the competitors. Marketers can position brands at any of three levels which are attributes, benefits, beliefs, and values. The second important thing is to select the brand name. The desirable qualities in a brand name include that it must suggest benefits and qualities, easy to pronounce, recognize, and remember, distinctive, extendable, and translatable for the global economy, capable of registration and legal protection. The second

important thing is to select the brand name. The desirable qualities in a brand name include that it must suggest benefits and qualities, easy to pronounce, recognize, and remember, distinctive, extendable, translatable for the global economy, capable of registration and must hold legal protection.

Brand sponsorship means that if you want to expand your business or want to get support from another brand. It is a marketing strategy in which a brand is supporting an event, activity, person or organization. In brand sponsorship four concepts are important. The first one is manufacturer brands and the name of the manufacturer will be used in it likewise the brand of beverages like Pepsi etc. the second one is the private brand. In a private brand, the local person sells its personal brand with all other international or manufacturer brands. Like ABC store sells ABC spices with the spices of national or international brands. The third one is the license brand in which an organization or brand can take the license of another brand to sell or produce a specific product. The fourth concept is co-branding. In co-branding, two or multiple brands collaborate with each other to market a product or to fulfill a specific purpose like airlines co-brand with banks to sell tickets on discounts.

Brand development means to expand the brand or to increase the scope of a brand. For developing brands, a company has four choices: line extensions, brand extensions, multi-brand or new brands. **Line extension** refers to extending an existing brand name and existing product category but to add new forms, sizes, colors, ingredients or flavors of an existing product category. **Brand extension** also assumes an existing brand name, but combines it with a new product category. **Multi-brands** mean marketing many different brands in a given product category. P&G (Procter & Gamble) and Unilever are the best examples for this. A new brand means entering in a business with new brand name and new product category. A new brand name is appropriate when the company enters a new product category for which none of its current brand names are appropriate.

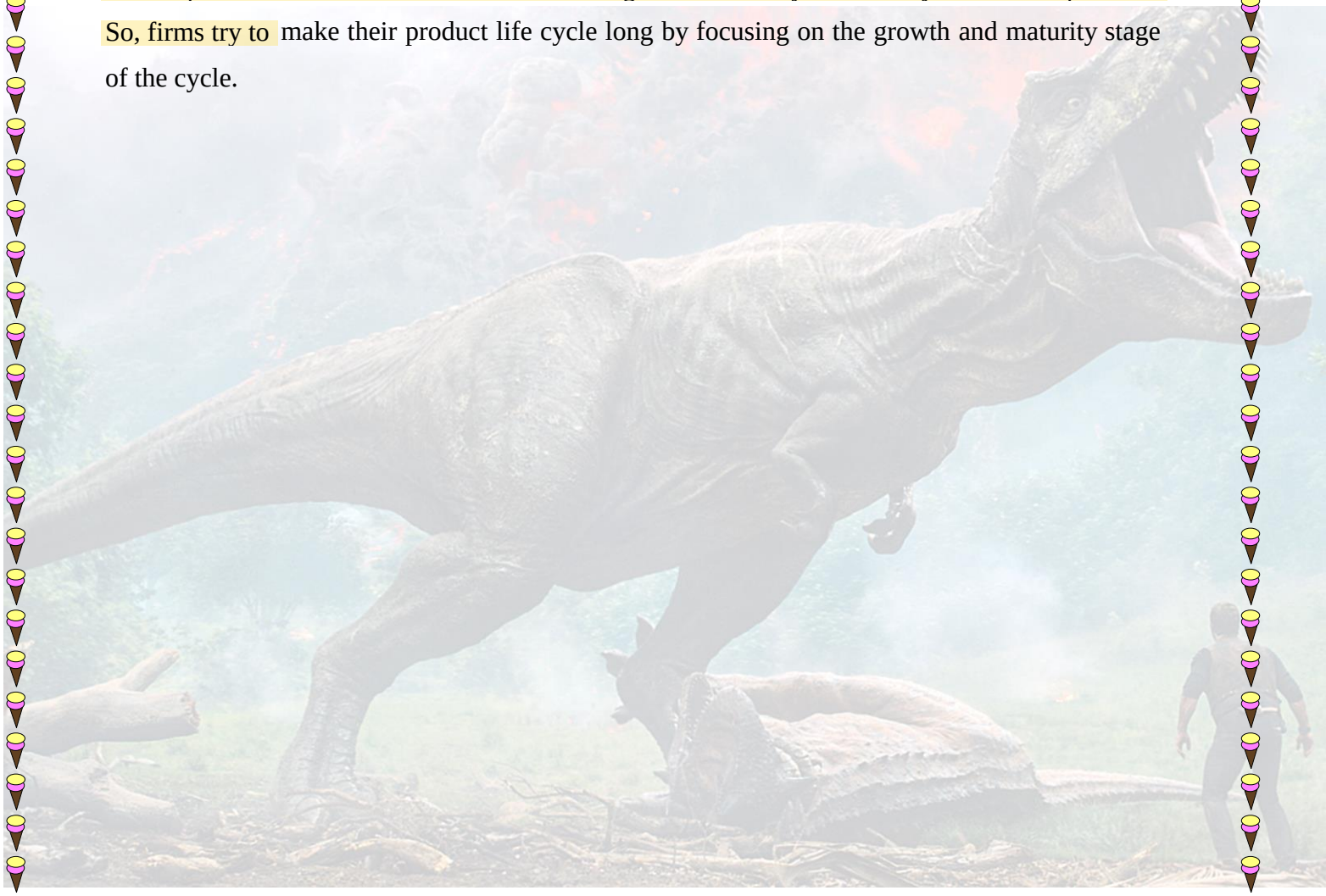
As we have discussed, a product is an object or system made available for consumer use; it is anything that can be offered to a market to satisfy the desire or need of a customer and it must be tangible. With tangible products, an intangible product comes and we call them services. Service

is an intangible and invisible product which results into value/benefit and has value in exchange. Such as transportation, health, education etc. The four characteristics of services are intangibility, variability, inseparability, and perishability. The service–profit chain is the central concept in a theory of business management which links employee satisfaction to customer loyalty and profitability. The service-profit chain establishes relationships between profitability, customer loyalty, and employee satisfaction, loyalty, and productivity. The links in the chain (which should be regarded as propositions) are as follows: Profit and growth are stimulated primarily by customer loyalty. Loyalty is a direct result of customer satisfaction. Satisfaction is largely influenced by the value of services provided to customers. Value is created by satisfied, loyal, and productive employees. Employee satisfaction, in turn, results primarily from high-quality support services and policies that enable employees to deliver results to customers.

The service marketing triangle outlines all the relationships that exist between the company, the employees and the customers. There are three important types of services marketing according to the triangle. First one is internal marketing and it is the marketing between company and employees. In internal marketing, company presents its idea to the employees and convinces them. The purpose is to increase employee engagement with the company's goals and educating all employees about the company's products and services. The second one is interactive marketing and it is the marketing between employees and customers. It is a one-to-one marketing practice that centers on individual customer and prospects' actions. Interactive marketing involves reacting to customer actions and striving to meet their expectations and demands. The third one is external marketing and it is the result of interactive marketing, the external marketing occurs and it goes from your business organization out to customers and prospective customers. The purpose of external marketing is to fill the business pipeline with future business.

A product has central value in organization because due to products they offer their services to the customer through products. There are two strategies for getting the products to sell. One is to acquire a product and the other is to develop a new product. If you want to develop your product then the question is how to develop a product? The new product development process involves some steps. The process starts with idea generation then idea screening, concept development, and testing, marketing strategy development, business analysis, product development, test

marketing, and commercialization. When an organization follows the process of product development they will come up with a product. Some products become successful and some are not. There are some reasons why a product fails? Those reasons include the overestimation of market size, poor design, incorrect positioning, wrong timing, priced too high, ineffective promotion management, high development costs, and competition. Products develop but they also grow old. Products have their own life cycle. It starts with product development then the second phase comes which is introduction then growth, maturity, and finally the decline period. So, firms try to make their product life cycle long by focusing on the growth and maturity stage of the cycle.



Technical Articles – MGT301

Theme No.9: Price and Pricing

In this theme, we will discuss the second "P" of marketing mix i.e. Price. After product we have to think about the price of our product.

What is Price? Price is the amount of money charged for a product or service. It is the sum of all the values that consumers give up in order to gain the benefits of having or using a product or service. Price is the only element in the marketing mix that produces revenue; all other elements represent costs.

What is Pricing? It is a process of determining and setting price of a product. Pricing is the activity and price is the value that we have to determine for a product. Before setting price we need to see two things.

1. **Price Ceiling:** It is the upper limit beyond which customers cannot afford the price. It is the highest or maximum price limit beyond which a product does not remain affordable for the market.
2. **Price Floor:** What minimum price for a product can be charged to remain profitable is called price floor.

In practice and reality companies are not operating on price ceiling and price floor. They are operating between both of them.



Source: Kotler, P., & Armstrong, G. (2018). Principles of Marketing, 17h Edition.

Factors Affecting Pricing:

There are six factors that affect the pricing or pricing process i.e.

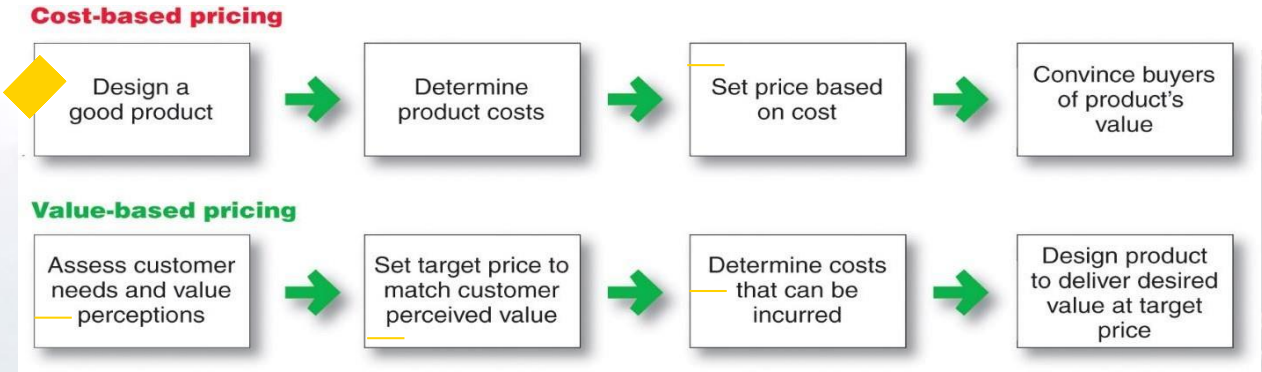
1. **Overall Marketing Strategy** (Market segment, positioning etc.)
2. **Type of Demand** (Price elasticity of the demand)
3. **Type of Market** (Monopoly, Duopoly, Oligopoly, Monopolistic competition, Perfect Competition)
4. **Economic Conditions** (GDP growth rate, Per capita income, Inflate rate, type of inflation, balance of trade, exchange rate)
5. **Government** (Political system, centrally planned economy, free market economy, political stability)
6. **Social Concerns**

Pricing Methods:

There are three basic methods for price structuring i.e.

1. Value Based Pricing
2. Cost Based Pricing
3. Competition Based Pricing

1. **Value based pricing** uses the buyers' perceptions of value, not the sellers' cost, as the key to pricing. Price is considered before the marketing program is set.
2. **Cost Based Pricing is** setting Price based on the costs for producing, distributing, and selling the product plus a fair rate of return for effort and risk.



3. **Competition Based Pricing:** Setting prices based on competitors' strategies, costs, prices, and market offerings.

Special Pricing Concepts:

Before turning to pricing strategies we have to discuss three small and interesting concepts of pricing that are called Special Pricing Concepts.

1. **Good-value Pricing:** the price which is perceived by the customer as a value at the par with the value delivered by the product.
2. **Everyday low Pricing:** pricing approach in which organizations or stores claim that their prices are lowest in the market and they are offering you everyday low pricing.
3. **High-low Pricing:** it is the combination of high and low prices. Some products are high priced and some products are on discounted prices.

Pricing Strategies:

There are different groups of pricing strategies and we will discuss it group wise. There are four groups of pricing strategies.

1. New-Product Pricing Strategies
2. Product Mix Pricing Strategies
3. Price Adjustment Strategies
4. Price Changes

1. New Product Pricing Strategies:

First of all we will discuss new product pricing strategy. There are further two types of pricing strategies i.e. marketing skimming and market penetration pricing. These are two opposite marketing strategies. Now we will discuss them in detail.

1.1. Market Skimming Pricing: This strategy sets high initial prices to "skim" revenue layers from the market.

- ✓ Product quality and image must support the price.
- ✓ Buyers must want the product at the price.

1.2. Market Penetration Pricing involves setting a low price for a new product in order to attract a large number of buyers and a large market share.

2. Product Mix Pricing Strategies:

There are five strategies that come under this strategy.

2.1. Product Line Pricing takes into account the cost differences between products in the line, customer evaluation of their features, and competitors' prices.

2.2. Optional Product Pricing takes into account optional or accessory products along with the main product.

2.3. Captive Product Pricing sets prices of products that must be used along with the main product.

2.4. By-product Pricing refers to products with little or no value produced as a result of the main product. Producers will seek little or no profit other than the cost to cover storage and delivery.

2.5. Product Bundle Pricing combines several products at a reduced price.

3. Price Adjustment Strategies:

There are seven types of price adjustment strategies i.e.

3.1. Discount and allowance pricing

3.2. Segmented Pricing

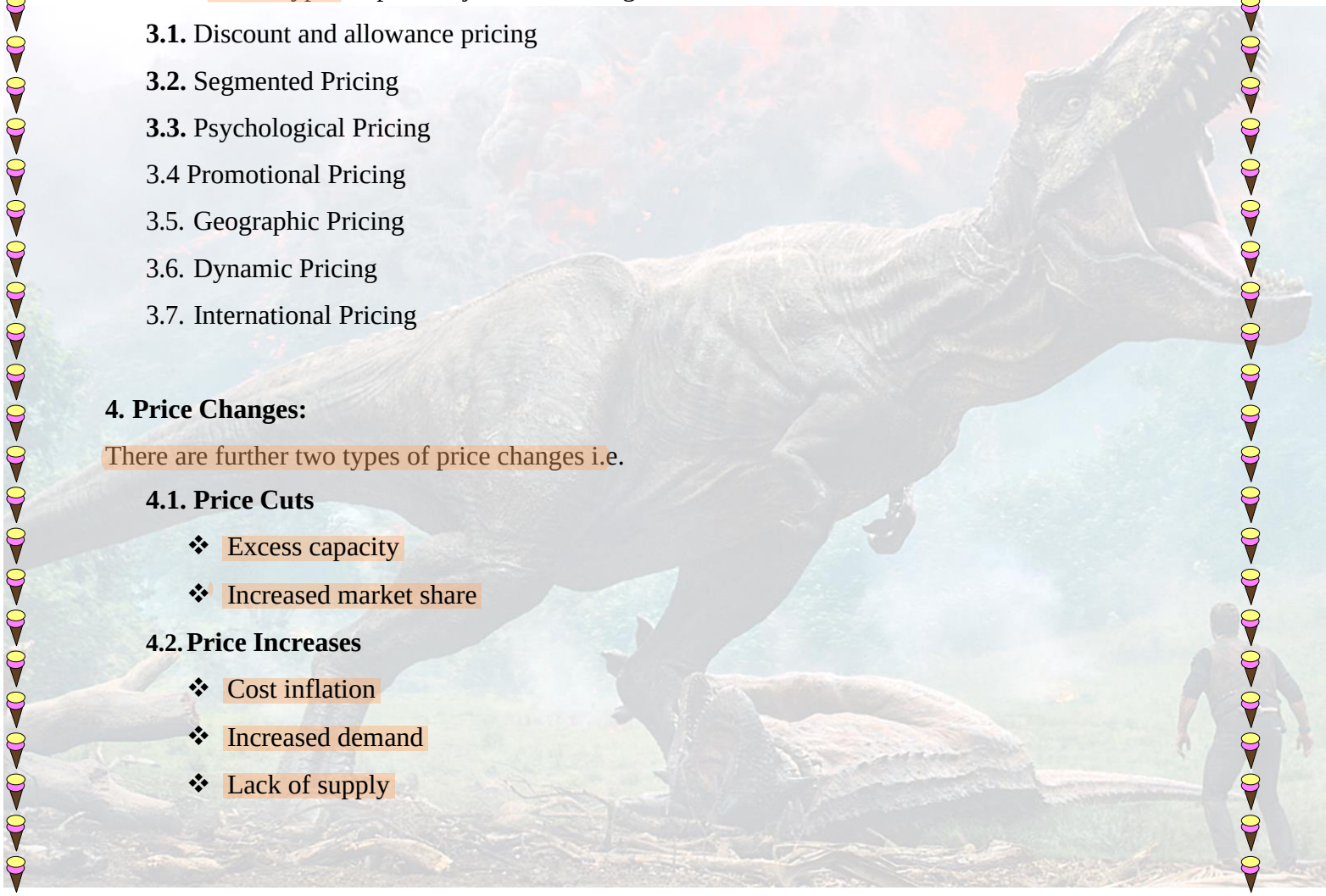
3.3. Psychological Pricing

3.4 Promotional Pricing

3.5. Geographic Pricing

3.6. Dynamic Pricing

3.7. International Pricing



4. Price Changes:

There are further two types of price changes i.e.

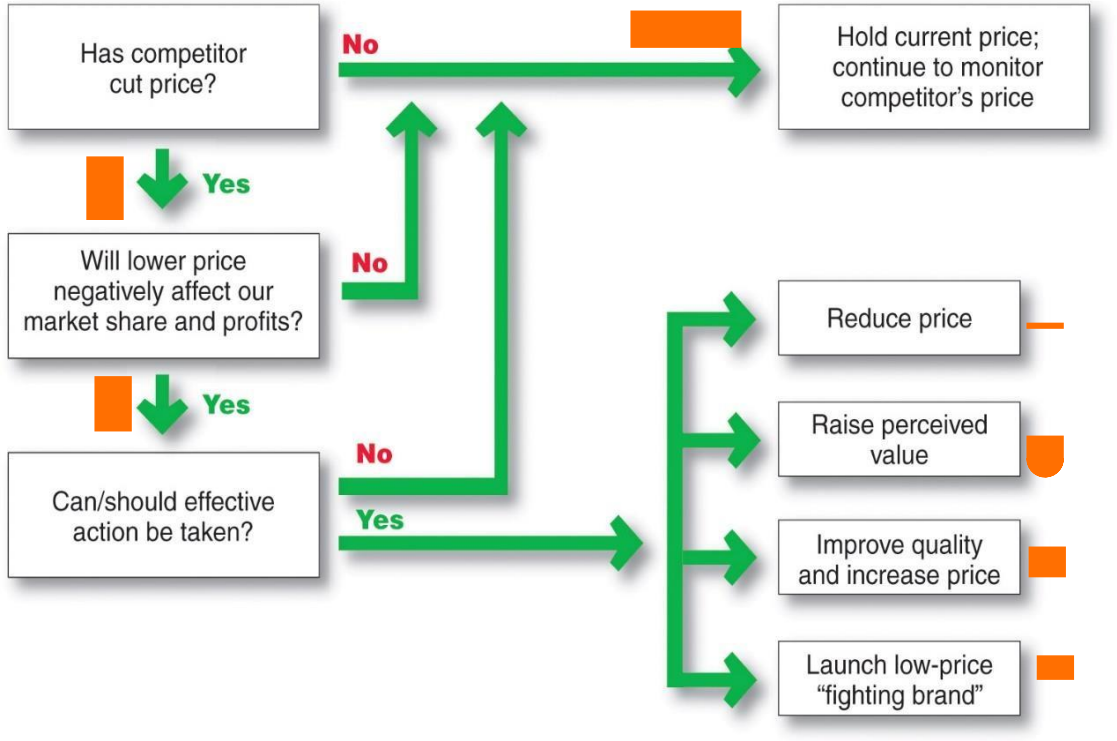
4.1. Price Cuts

- Excess capacity
- Increased market share

4.2. Price Increases

- Cost inflation
- Increased demand
- Lack of supply

We can understand price change with the help of a diagram



Source: Kotler, P., & Armstrong, G. (2018). Principles of Marketing, 17h Edition.

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Theme No.10: Marketing Communication

The meaning of promotion is "activity that encourages consumers to recognize your product or service and make a purchase." As one of the 4Ps that make up the marketing mix, it is a significant channel for realizing communication between consumers and companies. Specific examples include advertising and sales promotions etc. A promotion mix is a way to achieve your organization's marketing goals using a promotional mix of advertising, promotions, personal sales, and promotional sales. It consists of advertising, public relations, personal sales, and sales promotion. Promotion mix is defined as any form of communication that organizations use to establish a meaning for a product or service, as well as how it affects the purchasing behavior of the target customer. Promotional mixes should be designed in a way that informs target market customers about the value and benefits of the products or services offered.

Advertising is a kind of persuasive communication activity that promotes sales by simultaneously advertising the presence of goods or services to a large number of consumers. In other words, advertisements can be displayed in various media such as newspapers, pictures, photographs, designs, images, sounds, or other media such as newspapers, magazines, radio or television, or mail, posters, brochures, outdoor advertisements, theaters, or the Internet. Sales promotion is part of marketing communications that increases sales by providing information or persuading customers about the performance of a product or service, with the goal of encouraging customers to purchase the product or service. Promotion is not only a marketing tool that directly generates demand, but also a communication tool used to create indirect profits by raising or optimizing the company's image. Sales promotions create opportunities for consumers to reach their products, build new customers, and strengthen brand loyalty to existing customers, contributing to increased product sales.

See Slides

Push strategy: A manufacturer uses a sales promotion or a personal sale to induce a middleman to have a product and sell it to customers. Brand loyalty is low, and the choice of products is mostly determined at the purchase site. Therefore, the purchase induction of the store is essential.

Pull strategy: The manufacturer encourages consumers to actively buy on their own by informing the end consumer of the brand or product using advertisements or customer promotions.

The theoretical definition of public relations is to "form friendly relationships through interactive communication between organizations and the public." "Public" is aimed not only at consumers who purchase products or services directly, but also to the general public (outside public relations), or members of the "organization" (in-house promotion).In Digital marketing, internet-based devices are used that advertise and sell products and services to consumers through online advertising. Web browsers, smartphones, (console) games, are examples of typical Internet-based devices. Content marketing is a strategic marketing act that produces and distributes valuable, relevant, and steady content to attract and maintain a clearly defined audience. It's about providing relevant and useful content so that audiences and customers can solve their problems, rather than highlighting products or services.

IMC stands for integrated marketing communication, which is an integrated marketing communication strategy. In other words, it can be said that various marketing activities performed by the company or brand are integrated into one voice. If existing marketing activities were decentralized, IMC would be integrated into one. However, this integration does not mean the integration of channels where marketing activities such as TV, radio and newspapers take place. The integration here refers to the integration of the message to be delivered to the consumer and the image to be perceived. For example, how about a trusted company with an honest image on TV, a reasonable price in a magazine and a luxury item that everyone wants in an offline store? It's an exaggeration, but before the concept of the IMC strategy was established, everyone seemed to have passed it. This is very difficult for the 'integrated, one message delivery' mentioned earlier. It's hard for consumers to know what the company's identity is. Therefore, no matter what channel (media) marketing activities are carried out, the same image/message delivery is now essential.

Fewer steps are involved in developing an effective communication strategy. The first step is to develop an overall marketing communication strategy based on the analysis of your target audience. The second step is to establish a communication strategy for the target customers involved in the decision-making process, which should be organically linked to the marketing

strategy. The third step is to select communication goals using a variety of organized information. Explicitly link the needs of your target audience with the effects of marketing communications you want to achieve. The fourth step in the strategic planning process, at which point the customer's decision-making process needs to be organized in more detail. It also identifies the strengths and weaknesses of various communication alternatives, such as advertising and promotions, and links them with marketing communications challenges to select the best alternatives. The final stage of the planning process is the selection of specific advertising or promotional media to deliver marketing communications. In the IMC, it is more important to use effective media that meet the communication goals and is more acceptable to consumers than the efficiency of independent media.

One of the most known and used models in advertising and marketing communications is the AIDA model. This model, proposed by Elmo Lewis, describes the process by which consumers make decisions and actions through four hierarchical steps: Attention, Interest, Desire, and Action. In short, for an advertisement to drive consumer purchase, its ultimate goal, it is first necessary for the consumer to pay attention to the advertisement. If an advertisement succeeds in catching the consumer's attention, the consumer is more likely to be interested in the message, and the interested consumer has a desire for the product or brand that the advertisement contains and ultimately leads to the behavior of purchase. The AIDA model is a hierarchical step; it becomes difficult to move on to the next step if the preceding step is not met. This model can be useful when explaining the importance of advertising creativity in the actual advertising scene. If you don't get the consumer's attention among the flood of advertisements, the next step can't be done. See Slides

Mass media are responsible for delivering large amounts of information, current affairs, and contemporary issues to the unorganized general public. For example, Print media (newspapers, magazines, books, posters, flyers, etc.), Video media (TV, movies, computers, etc.)Voice Media (Radio, Records, etc.) and New Media-Internet, SNS, smartphones, etc. There are different ways of allocating budget to the advertisement. Competitive parity method involves setting a budget that can be compared with competitors. Competitors do not share the money they spend, so you need to find a way to get other information. For example, find a competitor's ad in a local newspaper. Check the publication's ad kit to determine the cost of the ad size, calculate the frequency of the

ad, and calculate the amount spent on that publication. Affordable budget method is a simple method in which we spend only as much money on advertising as we have (or less). The disadvantage of this method, however, is that spending too little money on advertising will not achieve due results. Objective and task method determines the advertising costs based on the short and long term goals of advertising for a brand. Objective-and-task approach as a means to achieve your goals for the future. In other words, the cost of advertising depends on the mix of Media Vehicles, which is a problem, because it does not solve the question of whether the cost of measuring the results of advertising goals and the cost of achieving those goals should be solved.

The percentage of sales method is a favorite method for chief financial officers who believe that using such a method of setting a budget will never spend too much on advertising. In essence, this method involves advertising expenses with results obtained on sale. However, it should be taken into account that advertising should cause sales growth – it should, therefore, be regarded as the cause (primary action) causing sales growth rather than as a sales effect. For this method, the exact opposite is true. Sales results determine advertising spending.

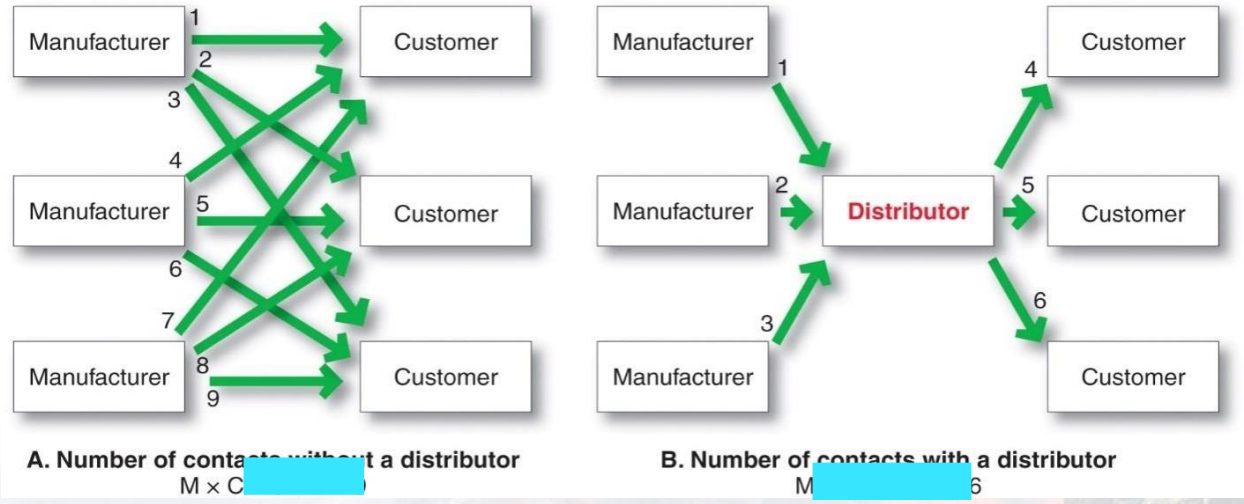
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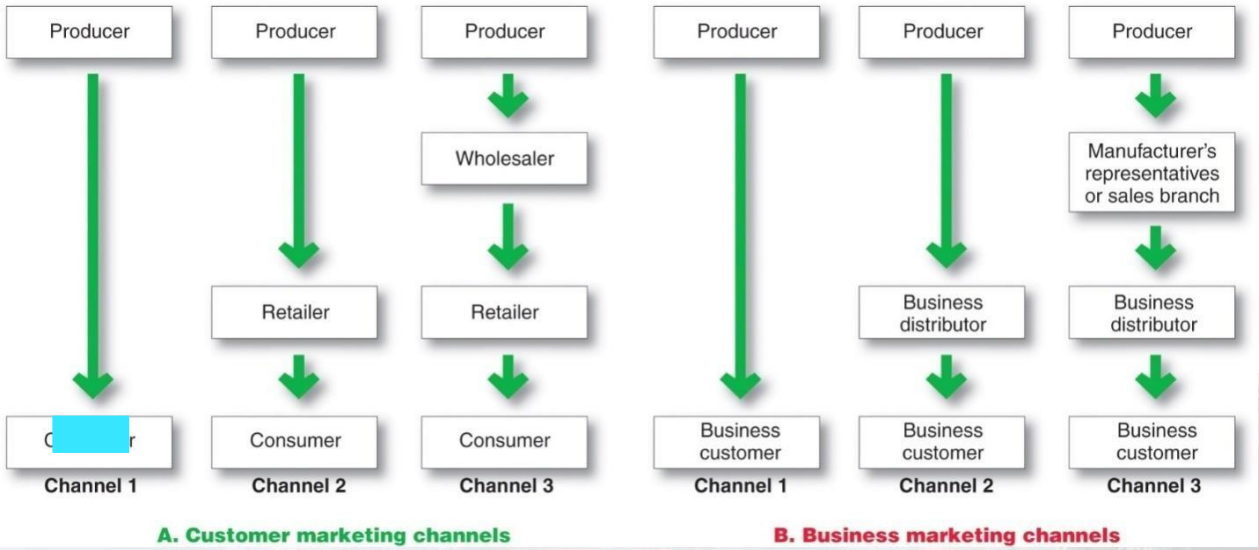
Theme No.11: Place/Distribution

In a marketing mix the third 'P' of Placement is an important element which ensures the effective and timely availability of the product to the customer. To ensure this availability, various channels and intermediaries of distribution are involved such as retailers, wholesalers etc. all the intermediaries work for connecting the buyers to the producers physically distributing the product to various geographic locations. All such intermediaries constitute the Value Delivery Network partnering with each other in order to improve the performance of the entire system. The partners in the value system may be upstream partners or downstream partners. Upstream partners are raw material suppliers, parts suppliers, and information and expertise providers for the effective manufacturing of the product. Downstream partners include marketing and distribution channels that are more directed towards the customers. Intermediaries provide the producers with the greater efficiency in ensuring the availability of goods and products to the market making use of their knowledge and capabilities, experience and expertise in their scale of operations which can't be achieved by the organization on its own. In a nutshell intermediaries convert the mere assortments of products to what the customer wants. Channel members are responsible to remove all the gaps between the producer and the consumers. Channel members add value to the network through information, matching, contact, matching, negotiation, physical distribution, financing, and risk taking. They are responsible for physical flow of products, flow of ownerships, flow of payments, flow of information and promotion. In a marketing channel various firms partner each other for the promotion of the common good where each member or firm plays its role individually.



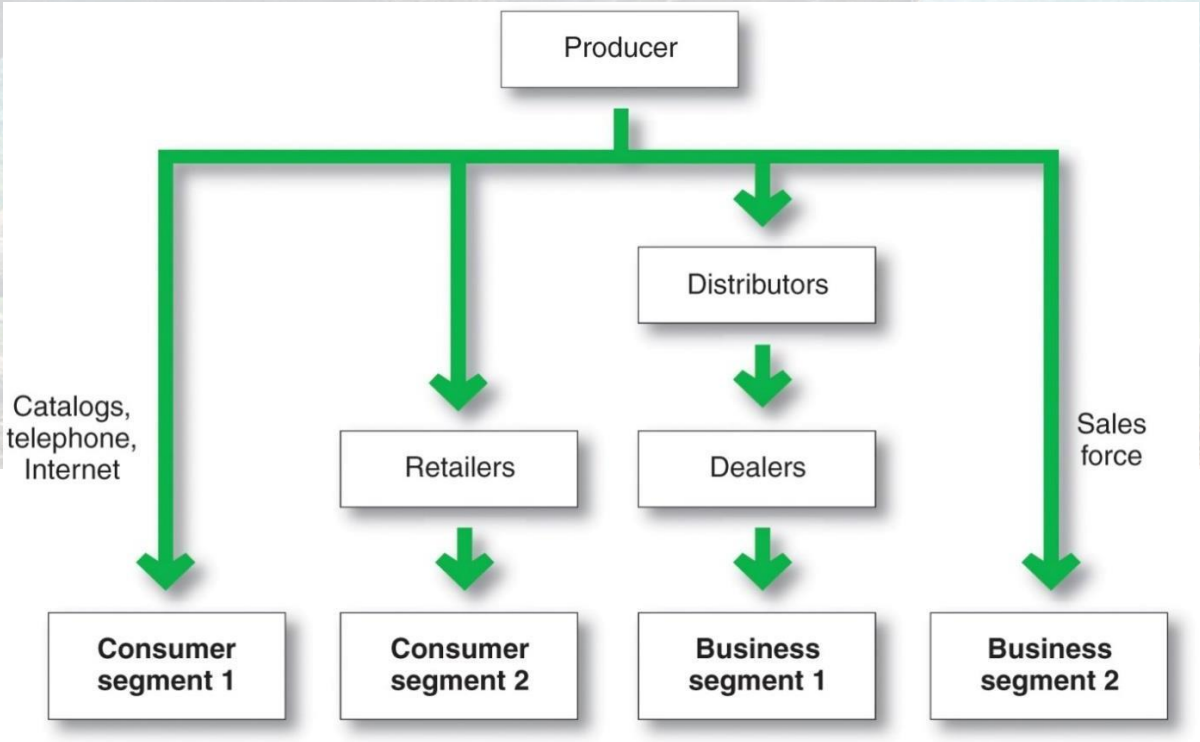
Source: Kotler, P., & Armstrong, G. (2018). Principles of Marketing, 17h Edition.

Conventional distribution systems include one or several independent producers, wholesalers and retailers with the common motive of seeking profits and to take control on other members. In Vertical Marketing Systems (VMS) channel leadership consists of wholesalers, retailers and producers which act as a unified whole. VMS consists of corporate vertical marketing system which integrates various stages of production and distribution that are under single ownership. Corporate vertical marketing system integrates successive stages of production and distribution under single ownership. Includes direct marketing activities to engage the customer directly carefully targeting the customers to generate the immediate responses for building lasting customer relationships. In Contractual VMS various firms unite at different levels of production and distribution contracting each other through achieving economies of scales that otherwise can't be achieved individually e.g. franchise organizations links various stages in production and distribution processes. In Administered VMS some of few channel members have dominating presence. This dominance in leadership arises from their size and power. In horizontal marketing systems two or more companies unite at one level in order to create a market opportunity. In doing so they combine various resources including production, marketing and financial resources etc. creating synergic effect that can't be achieved individually.



Source: Kotler, P., & Armstrong, G. (2018). Principles of Marketing, 17h Edition.

In Multichannel Distribution systems (Hybrid marketing channels) firm individually form two or more marketing channels in order to target particular customer segments. Channel design decisions are the important decisions in order to analyze customer needs, setting channel objectives, identifying major channel alternatives and evaluation of different channel performances.



Source: Kotler, P., & Armstrong, G. (2018). Principles of Marketing, 17h Edition.

There are three types of distributions vis. Intensive distribution, exclusive and selective distribution. In intensive distribution wide availability of product is ensured in order to expand the product to every outlet so that customers encounter the product everywhere e.g. soft drinks have presence everywhere like gas stations, retail stores etc. Exclusive distribution refers to an agreement between supplier and the retailer in which retailer is granted with more power and privileges within the specific geographic location for carrying supplier's products. The other strategy which lies between intensive and exclusive distribution is known as selective distribution which involves usage of more than one, but lesser than all the intermediaries and distributors who carry the company's products on the basis of a company specific set of rules. It is important for the company to make effective channel management decisions for selecting, managing, motivating and evaluating the channel members.

When the seller allows only some specific outlets for placing its products it is called exclusive distribution. In exclusive dealing sellers bound resellers to deal with the competitor's products. In exclusive territorial agreements, sellers define certain territories for their operations and limit themselves to these territories. When the sellers make tying agreements it means they deal with the dealers for the most or sometimes the whole product lines.

Technical Articles – MGT301

Theme 12: Sustainable Marketing, Social Responsibility and Ethics

Sustainability in general means the efficient use of natural resources in a way that those are not wasted and would be available for future generations as well. Sustainability is a broader term that has been adopted by different business / organizational functions. Sustainable marketing is one such example of those business functions. Sustainable marketing means efficiently meeting the needs of the consumers while persevering the ability of future generations to meet their consumer needs. Societal marketing concept has more of a current orientation for a business. However, sustainable marketing concept is future oriented with respect to business need. Business managers often feel that marketing concept along with strategic planning concept is more present oriented with respect to business need as it is relatively lesser cost oriented with immediate results, e.g. profit. But it is the sustainable marketing which will ensure the long-term survival for a business in this fast-changing world.

Of late, there has been some criticism on the marketing activity. This criticism can be categorized under three points. 1) Impact on individuals; 2) Impact on society; and 3) Impact on other businesses. It is argued that individuals get impacted from marketing activity due to high prices of different products. For example, peak season high prices of commodities and price cartel in different sectors is one example of it. Deceptive price which is often called psychological pricing strategy also negatively impacts the individuals. For example, sale of different brands with price tags of Rs. 999 etc. is one such example of psychological pricing strategy. In fact, brands never lose their money. Mostly naming it as mega sale, many brands also sell their unsold stuff of poor quality with deceptive strategies which impacts the individuals. High pressure selling also occurs in such a scenario and that also effects the individuals. Sometimes, shoddy, harmful or unsafe products are also sold to the customers. Planned Obsolescence is another strategy that badly effects individuals. For example, technology products such as computers, smart phone companies, and motor vehicle companies bring their new models almost every year with different design of one or more added features just to get more sales and revenues. A layman who has the money to spend,

at times would keep spending every year for getting new models of branded products and hence



such customers keep providing billions of revenues to the brands. This happens exactly as per the strategic planning of brands in a marketplace. Sometime, poor service is provided to the disadvantaged customers. Secondly, this is also another criticism on the marketing activity that it badly impacts the society. False wants and materialism have been promoted in the society as a lifestyle. There is also cultural pollution and too few social goods in the society. Often the goods we purchase are the result of marketing activity which is mostly commercial marketing activity and not for the social cause. Third criticism on marketing is that it impacts other businesses. For example, with aggressive marketing strategy, companies may opt for acquisition of competitors. Unfair competitive marketing practices by a business affect other businesses and this often generates price wars and useful spending on marketing and advertising for winning that strategic bar war. Such expenses are then adjusted in the product price by those brands and ultimately the customer pays for that extra spending on marketing by those brands.

Such criticism on marketing activity sparked the movements of consumers for their rights. One example of such consumer movements is consumerism. Consumerism is the organized movement of citizens and government agencies to improve the rights and power of buyers in relation to sellers. Activists of consumerism speak for the rights of consumers at different forums and try to convince the regulatory authorities to play their role to safeguard consumer laws. There are different rights of consumer for which he / she should be aware of. For example, right not to buy and to expect safe products. It is also a consumer's right to expect well performing products as was claimed to them at the time of product purchase. Similarly, right to be well informed about the product which were not promoted due to questionable marketing activity. It is also the right of consumers of the society to positively influence the product and marketing activity of a company. For example, local public is a stakeholder for knowing about the high prices' justification of a company / industry's products even if it is using the natural resources of that area and hence polluting the environment as well. Therefore, as an educated consumer, one must ask a company to act positively not only with respect to pricing and use of natural resource but also with reference to societal marketing and sustainable marketing activity. Hence, such actions through consumers' pressure and positive intervention should generate sustainable consumption as well.

Environmentalism is an organized movement of concerned citizens, businesses, and government agencies to protect and improve people's living environment. This is also the part of efforts for

promotion of sustainable marketing. Some of the actions that come under environmentalism include pollution prevention, product stewardship, design for environment, new clean technologies and sustainability vision. Pollution prevention involves not just cleaning up waste but also eliminating or minimizing waste before it is created. Hence, it may involve measure like recycling, waste management and green production etc. Product stewardship involves minimizing the pollution from production and all environmental impact throughout the full product life cycle. Design for environment (DFE) involves thinking ahead to design products that are easier to recover, reuse or recycle. Hence, production of those cans, bottles, jars and paper etc. that can be recycled would be a good step. New clean technologies involve looking ahead and planning new technologies for competitive advantage. For example, solar lights and electric vehicles etc. Sustainability vision is a guide to the future that shows the company that the company's products, process, and policies must evolve and what is needed to get there. Sustainability vision is the need of the hour in an age of pollution and severe climate change etc.

There are also some principles of sustainable marketing. First principle is consumer-oriented marketing according to which a company should view and organize its marketing activities from the consumer's point of view. For example, products and services should be cost effective and useful for the consumer and for the environment. Customer value marketing is another principle according to which a company should put most of its resources into customer value–building marketing investments. Innovative marketing suggested that a company should seek real product and marketing improvements. Sense-of-mission marketing emphasizes that a company should define its mission in broad social terms rather than narrow product terms. Societal marketing emphasizes that a company should make marketing decisions by considering consumers' wants, the company's requirements, consumers' long-run interests, and society's long-run interests. For example, taking care of the residential community living near an industrial plant.

It is ideal that the desirable products should be produced by the businesses for customers. A desirable product is the one that has immediate satisfaction and long run benefit for the customers. Similarly, there are some other product categories that can be discussed on such a yardstick. Deficient products are those that have neither immediate appeal nor long-run benefits. Salutary products are those that have low immediate appeal but may benefit consumers in the long run.

Pleasing products are those that give high immediate satisfaction but may hurt consumers in the long run.

Crux of the whole debate is that businesses should take care of marketing ethics. Marketing ethics are broad guidelines that everyone in the organization must follow which cover distributor relations, advertising standards, customer service, pricing, product development, and general ethical standards. One of the marketing ethics is 1) not to harm. This implies intentionally keeping away from hurtful activities or oversights by typifying high moral regard and sticking to every single pertinent law and guidelines in the decisions we make. 2) Foster trust in the marketing system is another marketing ethic. This implies taking a stab at great confidence and reasonably managing in order to contribute towards the viability of the marketing procedure just as maintaining a strategic distance from misleading in product configuration, valuing, correspondence, and conveyance or dispersion. 3) Embracing ethical values is another marketing ethic. This means building relationships and enhancing consumer confidence in the integrity of marketing by affirming these core values: honesty, responsibility, fairness, respect, transparency, and citizenship.

Finally, the conclusion is that those organizations that satisfy the necessities and needs of clients ethically by keeping sustainable marketing principles in view will flourish. Organizations that neglect to address client issues, or that deliberately or inadvertently hurt clients and others in the society will decay in future. A good organization goes past thinking about the requirements of the present clients and has worry for tomorrow's clients who would exist in a more knowledgeable world.

Theme 13 Digital Marketing

In conventional marketing, companies use different tools like billboards, television, newspapers, brochures and pamphlets for marketing their products. Companies use these tools to create awareness about their products among masses. Digital marketing is somewhat different than the conventional marketing. In digital marketing we use internet/digital media for marketing the products. Digital media includes; digital display advertising, mobile phones, social media and other digital technologies using internet. The fact behind the popularity of digital media is its ever growing source of entertainment in the form of social interaction with friends and company representatives.

Benefits of Digital Marketing

Conventional marketing is costly than the digital marketing because it is too expensive to advertise on billboard and television than to advertise on webpages in the form of banner ads or videos. Secondly, conventional media has limited reach as only local audiences know about you if you advertise on billboards or purchase a spot on radio channel while over the internet entire globe becomes familiar about your offerings. Thirdly, conventional media has limited interaction with the end users because you don't interact with your audience. However, in digital media the interaction with the customers is possible at the time of advertisement. Fourthly, you are unable to find the exact effect of your advertising in conventional media while in digital media the marketer is pretty sure to claim the exact impact of digital advertising.

History of Digital Marketing

Digital marketing is coinciding with the term of internet. We can say that with the advent of internet, digital marketing is started. The term 'internet' was first used in 1974 by US computer scientist Vinton Cerf. After the birth of internet, the term digital marketing was first used in 1990 and first search engine with the name of Archie was launched. First clickable ads run on internet in 1993. Launch of Yahoo and the first e-commerce transaction over netmarket in 1994 took place. In 1996, small search engines like looksmart and Alexe started operations. In 1997, first media site sixdegree.com launched. 1998 seen tremendous breakthrough with the birth of

Google, launch of MSN by Microsoft, and Yahoo web searches. 2002 seen the launch of LinkedIn and in 2003 MySpace was launched. In 2004 world's biggest social contact site Facebook went live and 2005 seen the launch of YouTube. In 2006 MS live search started its working, twitter launched and Amazon sales crossed 10 billion dollar. In 2007 Tumbler and IPhone were launched. In 2008, Spotify was launched. With the exploration of digital world social media budgets increased to 64% in 2012. In 2013 Yahoo acquired Tumbler and in 2014 Facebook acquired whatsapp. Due to this proliferation Internet of Things (IoT) term emerged. This means that internet has gone into each and every thing and soon the day will come when machine to machine communication start surpassing the human to human interaction and human to machine interaction.

Tools and technique of Digital Marketing

Different tools and techniques are used in digital marketing. These are as following:

Digital Display Advertising (DDA)

It is defined as:

'A form of digital marketing that uses display ads appearing on web pages as a means of communicating relevant commercial messages to a specific audience based on their profiles.'

In this technique, online ads are created on those webpages which have good traffic of users. These ads may be in the form of videos, images and popups. Formally, DDA follows four key stages like; define, format, configure and analyze. By following a good DDA strategy you will make a positive influence on your target segments.

Social Media Marketing (SMM)

Social media marketing is the marketing of product or services over the social media in the form of Tweets, YouTube video, blogging and micro blogging etc.

Gone are the days when your advertised message disappeared after it was aired on television or on radio. Social media has given the life line to advertising as your message will remain on screen until you want. This type of marketing has an edge over the traditional marketing as it creates interaction with your customers enabling you to measure the result of your advertisement in an effective way. If we look into the statistics of online traffic then efficacy of SMM will be

proved as, there are about 350 million people who are active on Facebook. More than 346 million people read blogs, and 184 million people are bloggers themselves. Twitter has more than 14 million registered users, and YouTube claims more than 100 million viewers per month. More consumers are connected with every passing minutes and it builds a huge platform for the marketer to advertise themselves over the social media.

Location Based Marketing/ Mobile Marketing

With the increase of mobile phones, new horizon in the form of mobile marketing has emerged. Everyone is carrying his mobile phone everywhere and used to gossip with friends by using different social media sites. Smart phones have enabled marketers to use innovative ways to send their promotional messages to end users. In location based marketing, GPS of end user is used to find the location and then send promotional messages regarding his locality. Customer's mobile devise is tracked by using appropriate location application programming interface (API) for the device or may be accessed through a server-side application that interfaces with the carrier's location platform.

Content Marketing

Content is a king. That is the modern phrase and it proves to be correct as far as very nature of internet is concerned. Content marketing is a type of marketing in which contents in the form of images, phrases, blogs or videos are used to implicitly market the product with the intention to stimulate interest of consumers. Contents on the webpage are arranged in ascending orders; top of the funnel, middle of the funnel and bottom of the funnel. A good content should have the following properties;

- it should be innovative and unique
- it should be written in such a manner that people want to share it
- it should be trustworthy and people can relate it to their lives
- it should be adapted by people on different platforms

Search Marketing

"The process of refining your website using both on-page and off-page practices so that it will be indexed and ranked successfully by search engines. SEO stands for "search engine optimization." It is the process of getting traffic from the "free," "organic," "editorial" or "natural" search results on search engines. Being a good marketer, if you become successful in controlling the entry point on internet, you will get huge success. Search engines are the entry points on the internet through which a user get entered by typing a keyword over search bar. If we type something on the search bar, the program searches from the index of Google list and take you at desired page. Search engine optimization basically involves in being in that index list so that your webpage appears in front of the user and he will move to your web page. This is done by purchasing a keyword from auction that run by Google administration. Suppose you are dealing in camping equipment and you purchase the keywords 'camping' thus whenever a user types keyword 'camping', Google index will take the user to your webpage.

Pay per click advertising

In PPC, an online advertiser displays his ads on the search page when users entered a keyword. Due to its very nature it is also called as keyword advertising. Here, advertisers are charged only when user clicks on their ads. Appearing of ads link with the keywords that are used on search bar, therefore, ads are subject to ad auction that is actually a bidding system.

4ps in Digital World

Digital Product

Digital products are those products which are digital in nature versus the pure physical product. The products that are sold on internet like computers or homes are not termed as digital products. So, digital products are predominately digital in nature. Example of digital products include the digital content, like, movies, books, songs, articles and data as well as digital services, like communications, subscriptions and software etc. A third category is the hybrid product such as airfare which contains digital (ticket) and a physical (flight) component. However, for both online and offline products there exist still some similarity in decisions like differentiating it from the competitors and how to brand it.

Digital Price

With the advent of internet and digital marketing, digital price faces new challenges due to the very nature of digital product because it is easy for the customers to compare the digital products online so it poses a great challenge for the marketer to price their digital products. Another challenge with the digital pricing is to maximize value by considering the implications for both the competitors and customers. Different strategies are used for pricing the digital product; value base pricing, freemium pricing and reframing pricing strategies are most important than the rest.

Digital Place

"Virtual, online environment (a website, for example) that allows individuals or firms to conduct business electronically is called digital place." There are two types of digital places exist on internet. One is the retail store of a firm existing on the webpage and other is the digital product using the space of other organization on webpage.

Digital Promotion

It is simply defined as 'Promotion on internet by using different tools'. Digital promotion opens new avenues for marketer as they have now plenty of ways to communicate with their target customers. Digital promotion is a bi-directional process in which not only marketers communicate with the customers but customers also communicate with the marketers. But, this trend poses challenge to marketer because customers have different other ways to check organization's credibility and views. People not only get your viewpoints in the form of ads on some product/service but also get the experiences from their peers and relatives.

Consumers in Digital World

Digital era has empowered consumers in multiple ways. Consumers now have multiple options to access information and record their behaviors. So, we can say that consumer 2.0 is more empowered and informative than consumer 1.0. Digital Consumers can be divided into six categories based on the usage of internet; basic digital consumers, retail scouts, brand scouts, digitally driven consumers, calculated shoppers and external shoppers. With the rapid advancement in technology, consumer's access has grown further along with their

expectations. Today we have different type of smartphones with 4G connections. We can access anything and we can share anything. So it becomes difficult for the marketer to compete in this situation and there is need to understand the contributing factors that have led to such behavior.

