# MGT301 Theme 1 to 13 technical article

Principles of Marketing (Virtual University of Pakistan)

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**Technical Articles – MGT301**

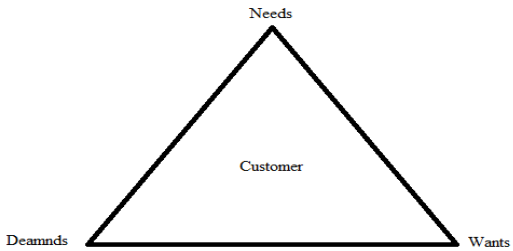
## Theme # 1: Understanding Marketing

Marketing affects all facets of one's life as it shed a huge impact on consumer daily affairs and behavior. Daily we use products from advertising; from toothpaste to clothes. Marketing help consumer to take decisions, it help consumer to know about different opportunities and novelties around them. To be successful, companies develop sound marketing functions. To understand more about the importance of marketing in our lives let's start with understanding the definition of marketing and other key terms.

**Marketing** has come out from the word market. Market is used both as noun and verb, as noun it means a place and as a verb it means to bring something to its customers. So, generally marketing is a process of taking something to its customers. Let's have a look at what is the definition of marketing by **Philip Kotler.**

**"Marketing** is a process by which companies **create value** for customers and build strong customer relationships in order to **capture value** from customers in return".

Marketing deals with identifying and meeting human and social needs. One of the shortest definition of marketing is "meeting the needs profitably". Marketing is a set of all those activities that create value for customers who need them and build strong relationship with them. It is all about exchange of values between the companies and the consumers.




Let's look at other key concepts in marketing such as need, want and demand. The marketer must try to understand the target market's needs, wants and demands. Needs describe the basic human requirements. "**Need** is a state of felt deprivation". It is a customer desire for certain products/ services. When you deprived of something, you try to fulfill it. Like thirst, it is the feeling of

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deficiency of fluid in body. Whenever fluid lac in your body, you feel that you need to drink the water. If we extend this concept further, other needs are education, healthcare and entertainment.

**"Wants"** are a step ahead of needs actually wants aren't necessary for one to survive. So, a want is the wish for a particular product or a service which are not necessary. "Wants are the form human needs take as they are shaped by culture and individual personality e.g., water and food". When you are hungry you try to find out the food to satisfy your hunger need. For example, a Britain person needs food but he may want a Burger or Sandwich. while a Pakistani may want Haleem, Kebabs and rice. Wants are actually formed by one's society.

Wants turn to be "**Demands"** when a someone irrespective of the region and culture is willing and having the ability to buy that needs or wants. Desire is the core difference between demands and wants. **"**Demands are those human wants that are backed by his/her buying power**"**. if you are hungry (need) and you have several choices like burger, Haleem, samosas, rice etc. You want pizza(want) but you do not have enough money to buy it, then it is not your demand. Needs and wants are important but demand is very vital for marketers.

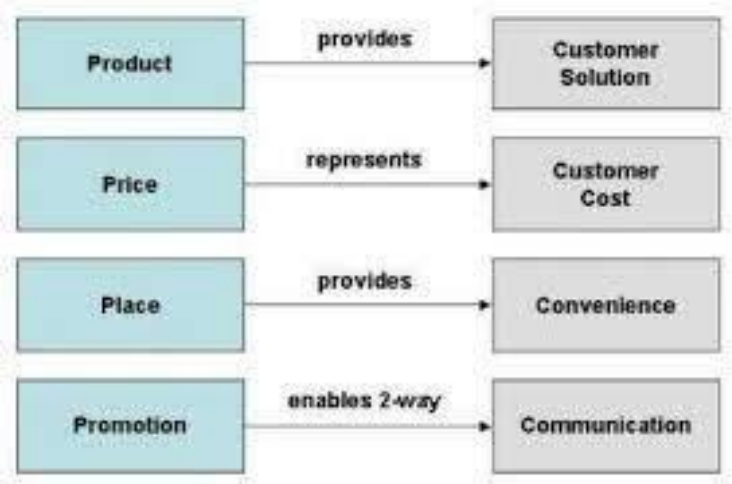
Customers\ consumers are important for marketers. Those who buy something\those who consume something are customers \consumers respectively but those who buy something and those who consume something can be same or different.

Value is something of importance or something having the ability to fulfill the gap or solve a problem. Marketers focus on values as marketing is exchange of values between buyers and seller. **Exchange** is the act of finding a desired thing. e.g., you want to have eggs in breakfast you will go to the nearby shop and ask for eggs by giving the price to the shopkeeper. In this case exchange has taken place. **Transaction** is an activity in which goods services or money is passed form account to another. Exchange when take place is called transaction. Whenever you buy or sell something a transaction has occurred.

**Market offering** is any mixture of products, services or experiences and information to a market to satisfy the customer needs or wants, for example banks offer services; news channels offer information and confectioners offer sweets.

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**"Marketing mix** is a combination of 4P's (product, price, place and promotion) used by marketers to distribute value to customers". There are four Ps from marketer's point which must match the four Cs from customers point of view. Product is all goods and services that you design and it must match with the customer solution. Price is the value on which any company offers its product. Price must be such that it matches the customer cost. Then next P is promotion. It is making your market or customer aware of the product / offering. The corresponding C is communication. Promotion must be such that message is communicated to the customer properly. Place is the distribution. Place your product such that it reaches the customer conveniently. So convenience is the corresponding C for place.




**Source:**"https://megansbusinessblog.wordpress.com/2014/07/29/marketing-mix-the-four-ps-and-the-four-cs-category-5/"

It has been discussed that demand is the essence of marketing. Marketing is used not only by businesses but also political parties, and charity organizations as well. Actual task of marketing is to manage demand. As demand of any product that is offered for selling is never ideal so marketers face different demand situations and resultantly make different strategies for different demand situations. Different demand situations are:

**Negative demand** is a demand situation in which your product is facing biased or negative views of potential customers. For example, the society in which you are dealing with frozen food items, consider that only fresh food is good. Frozen food is unhealthy; there you are facing negative

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demand. Here you will use conversion strategy to change the views of the market about frozen food.

**No demand is** something that every business face in the startup phase. People are not aware of your product then you will use creative / stimulating marketing which means you create the demand.

**Latent demand** is dealing in a product which people may demand but right now the demand is hidden. For example, insurance policy which initially was introduced and had latent demand and people did not take interest in it. Later marketers highlighted the benefits and made people aware and they started buying.

**Declining demand** is when due to any reason the demand of the product starts declining. In such case re- marketing is used; you may redevelop the product by adding some new features in it.

**Full/ regular demand** is when demand of the product is equal to the production capacity and this is also called adequate or sufficient demand. It is ideal situation so marketers maintain marketing and try to prolong the full demand situation to get maximum benefits.

**Irregular demand** is when demand of company product changes at different times. It increases in some season and decrease at some other time. It is called irregular demand. E.g air conditioners are sold at high prices in summers while in winters air conditioners are sold at discounted prices, by doing so companies shift the demand of products. So companies use demand shifting technique and use synchro-marketing strategy.

When demand of company product exceeds the production, capacity means company is facing **overwhelming demand** and is unable to manage demand it is called overfull demand situation and company uses de marketing strategy. e.g., electricity companies use de-marketing to reduce or lower the demand since demand is high but availability is less so they charge high prices to manage the demand.

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Demand of any unhealthy product is called **unwholesome demand** like narcotics and drugs etc. for such products counter marketing is used to discourage the use of such products e.g. campaigns for cigarette use.

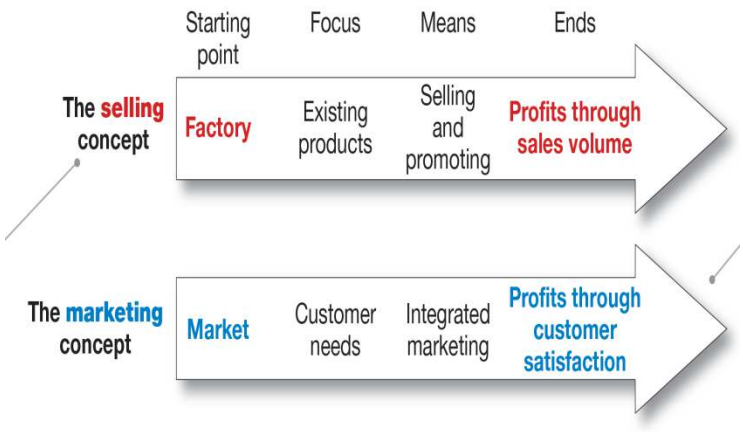
There are different underlying **marketing philosophies** that guide the actions of marketers. The marketing practices are guided by different marketing orientations / philosophies or beliefs. Let's discuss these one by one.

**"Production concept** is the belief that consumer will like only those products that are accessible or affordable". Here marketers focus on quantity as they believe that customers are quantity oriented. So, organization emphases on production to achieve economies of scale to make the product available to customer at affordable prices. "**Product concept** is the belief that consumers will choose those products that offers the maximum quality, performance and features". Product concept misleads where you focus on product features and improvement and ignore the customer needs. This may also lead to Marketing Myopia. Let's discuss the mouse trap phenomena. In US, there was a time people wanted the get rid of mouse. So, companies started making mouse traps considering that people want it. They did not consider that people actually wanted to get rid of mouse rather than a mouse trap. They must have thought of other ways to catch mouse like sprays or sticking gums etc. to get rid of the mouse. So, this overemphasis on product led to marketing myopia and many mouse trap manufacturing companies failed to sell enough products.

**"Selling concept** is the belief that customer will not buy plenty of the firm's products except it undertakes a huge scale selling and promotional efforts". This approach is asking for heavy promotional activities. Telling and selling philosophy works in such a situation. You may sell your product once or twice through heavy advertisement but if your product is not good, customers will not choose it again.

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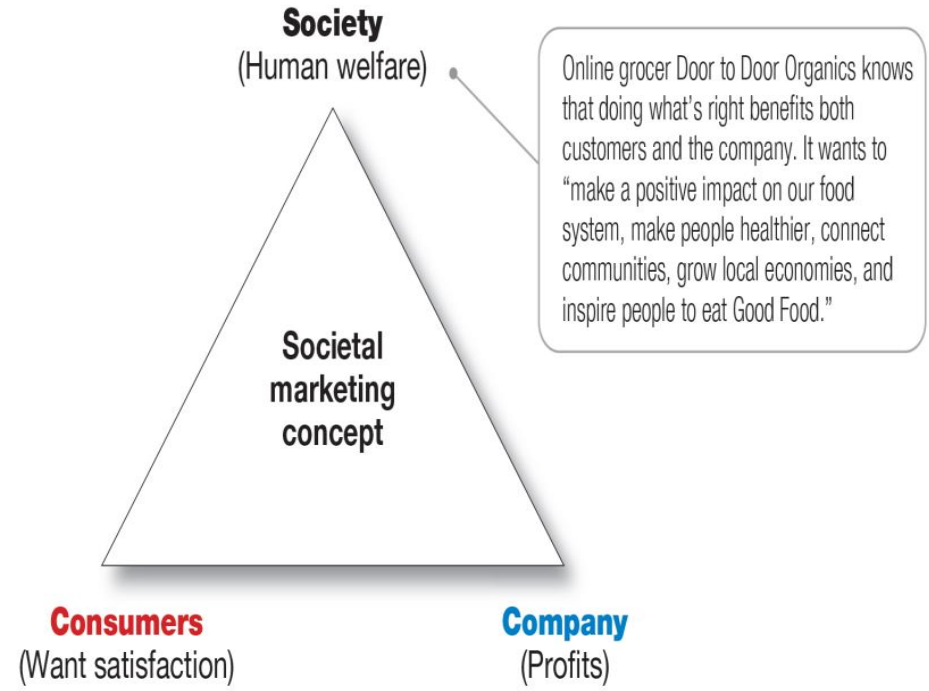



**Source:** "Kotler, P., & Armstrong, G. (2018). Principles of Marketing, 17h Edition"

**"Marketing concept** is the philosophy that attaining the organizational goals rest on knowing the needs and preferences of the target market and giving the desired satisfaction better than competitors". Here focus is on the customer/ market. Product must emphasis on customer needs. Here the problem is that the focus is on customer and company profit but this is sometimes may be done at the cost of society. It may be that your production unit discharges such waste that is damaging the land. This issue was catered in the societal marketing concept.

**Societal marketing concept** is all about the development of human and society welfare. The company should make marketing decisions based on consumer interests and society long term benefits.

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

Here the efforts are made to fulfill customer needs profitably by keeping the society's wellbeing in mind.

Now after reviewing few marketing definitions lets advance our knowledge of marketing and see what is marketing management, according to **Philip Kotler**, "Marketing management is the art of selecting target markets and constructing a profitable relationship with them". This concept is the skill and knowledge at the same time. Who will be our customers (Target market)? How the customers can be served in the best way (value proposition). "**Customer relationship management** is the overall process of building and maintaining a profitable relationship with the customers by delivering superior customer value and satisfaction".

Peter Drucker has defined Marketing in the following way:
"The aim of marketing is to make selling superfluous; the aim of marketing is to understand customer so well that product fits and sells itself". Marketer must understand the customer so well that he /she do not have to sell the product. It fits to customers' needs so perfectly that it sells itself.

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Let's discuss what the building blocks are for managing customers. Managing customer relationship is important. "The difference between total customer perceived benefits and customer cost is called **Customer Perceived Value (CPV)"**. When you buy something, you bear some kind of cost in the form of money, efforts or time or the combination of all and in return get some benefit. If the benefits and cost are justified or benefits exceed cost then you build a perception that this product is of value so marketers try that CPV is good.

**Customer satisfaction** "is defined as the feeling that a customer experiences when an offering meets his or her expectations". When you buy a product, you have certain expectations from it that it will perform or function in a certain way. When your expectations are fulfilled by the performance of product means you are satisfied. If performance exceeds your expectations, then you are delighted. Satisfied customers bring in more customers.

**Partner relationship management** "involves working closely with partners in other company departments and outside the company to jointly bring greater value to customers".
After discussing Managing customer relationship, Lets discuss an associated concept **managing customer value**.

In marketing we not only build relationships with customer but also have to capture value form the customer. Let's discuss the building blocks to capture customer value.
**Customer lifetime value** "is the value of the entire stream of purchases that the customer would make over the lifetime of patronage". Take example of female who uses lipstick regularly. Suppose if she uses a particular lipstick of a company and on average, she will use it for 10 years. Then suppose if one lipstick is of Rs. 500 and it lasts for one month so in one year she will use 12 lipsticks. So, she will spend 500 *12 = 6000 in one year and in 10 years she will spend 6000*10=60000. If the company has won the customer, company is not selling one lipstick to the customer but it's winning the sale of 60000 and if the customer is lost then it is losing this amount.

**Share of customer** "is the portion of customer's purchasing that the company gets in its product categories". Example: the customer is satisfied with a particular brand and buys bread of this brand,

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milk, bun and biscuits of the same brand. Actually, what the customer spends on all the products of a particular brand is called share of customer.

**Customer equity"** is the total combined customer lifetime values of all the company's customers".

New trends in marketing keep on emerging with the passing time. Few of the prominent trends are:

**Customer engagement marketing "**fosters direct and continuous customer involvement in shaping the brand conversations, experiences and community". Companies are taking such indicatives where customers are involved in brand building due to the changing technologies.

**Customer-generated marketing** (CGM) is the type of marketing in where firms invite their customers either to develop the content for company marketing campaign or to review it. Initially only companies were marketing the products now customers are also marketing. Everyone can now access everyone else so they are sharing their experience good or bad with others. We can say that Customer-generated marketing is leading now.

**Digital and social media marketing** includes communication tools like websites, social media, mobile ads, online videos, blog and the emails to engage the consumers anywhere in the world, at any time. Now businesses are allocating increasing budget for digital and social media marketing. Digital age, free flow of information, rapid globalization, rising awareness and fast changing technologies have really changed the marketing landscape.

Role of internet is phenomenal as it has connected many people. Anyone can access any other person sitting anywhere in the world. Everything is just a click away. It has facilitated everyone to reach media. Now customers can act and react about the company. It's really easy as source of information have increased and flow of information is easy. This digital age has facilitated the process of globalization which is enhanced connectivity between people living in different parts of world. You can buy and sell from anywhere in the world. Due to increased education, new generation has realized about the damage being caused to the world around by the previous

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generations. They are worried and are now more socially and ethically responsible towards the environment. Another trend that has changed the marketing landscape is the growth of nonprofits. With this growth marketing in non-business ventures is also increasing like hospital, political parties and charity institutes have started using marketing to get resource.

Conclusively let's look at how marketing works?

Consider that there is an organization and there is the market for it. Market is full of customers. Organization has many departments like HR, finance, accounting, R & D, production and operations and marketing is in the center of these all departments as it is linked to all. Now the organization tries to understand the market and for this marketing research is used. Using marketing research, the organization collects information form market. Marketing department processes the information and works in coordination with other departments to design a product to be offered to market. Working on the four Ps and matching with four Cs of customer, marketing offering is made. It is then sent to the customer. If your product is rightly suitable for the customers' demand and requirement, then customer will appreciate otherwise it will be rejected. Whatever the case may be the feedback about the offering, be it good or bad, will be received by the organization's marketing department. By learning the response from the market, organization decides to continue with the same product or modify it to suit the customer requirement.

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## GENERALLY ASKED QUESTIONS

**Question 1: What is economies of scale?**

**Answer:** *Economies of scale* are cost advantages gained by firms when their production turns efficient. The firm can gain its *economies of scale* by increasing production and lowering costs.

**Question 2: What do you understand by market offerings?**

**Answer:** Market offerings are combination of products, services, information, or it can be the experiences offered by the firm to a market to meet consumer needs or wants.

**Question 3: What is meaning of promotion?**

**Answer:** Promotion refers to the set of interrelated activities, which communicate the product, brand or service to the end user.

**Question 4: Discuss shortly about customer perceived value with a simple example?**

**Answer:** Customer perceived value is the concept that the success of a product or service is largely based on whether customers believe that it can satisfy their wants and needs

For instance, you are in the process of buying a Scotty for your commuting, for the purpose you are making two types of comparisons. Firstly, you are comparing your cost of buying a Scotty, which includes price, time and purchase efforts, with the benefits you expect from a Scotty brand. Secondly you are comparing the expected benefits of different Scotty brands. In this case your customer perceived value is the difference between the cost of purchase and the expected benefits of the Scotty brand you are considering compared to other brands. Resultantly your perception of value can be low or high.

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**Question 5: What is society welfare in marketing?**

**Answer:** The concept of welfare of society in marketing is not different from the general concept of social welfare. Generally anything which results into the wellbeing or happiness of a society is considered of its welfare. From another angle preventing from anything which may cause harm or damage to a society is also considered welfare. Reference to the Societal Marketing Concept any marketing activity which adds to social wellbeing or prevents a society from harmfulness will be considered welfare-oriented activity.

For example, developing products which conserve energy or doing your business in a way that does not harm the society.

**Question 6: What do you understand by need, wants and demand? How you differentiae these.**

**Answer:** Need, want and demand seem to be very closely related words, however they all differ with respect to their meaning. **Need** is a state of felt deprivation. Whenever you feel there is some gap or you are deprived of something, you try to fulfill it, like hunger, thirst. **Want** is the form that a human need takes as shaped by culture and individual personality e.g. water and food. Whenever you are hunger you search for something to fulfill that need. The thing that you are searching is your want. All human in this world feel hunger but there wants are different as regions and cultures change. Needs are universal but wants are regional or local. When hungry some may take burger, some pizza, some rice etc.

**Demands** are human wants that are backed by buying power. Anything that you want to have to fulfill your need and you have purchasing power to buy that thing is your demand. E.g if you are hungry(need) you have many options like burger, pizza, rice etc. suppose you want to buy pizza(want) and you do not have money to buy it, then it is not your demand. Needs and wants are important but demand is very crucial for marketers.

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**Question 7: What role marketing plays in our life?**

**Answer:** We live in an interdependent world where we have to convince others and seek their support for any activity we do in our life. This is a fact that others will only get convinced and extend their support if what we are offering has relevance for them. At all such occasions, fundamentally, marketing will teach you to understand what concerns others and how to present your offer in a way that appeals to others. Marketing will also guide you to express yourself to the world around to get maximum out of it.

**Question 8: Discuss the sustainable marketing with help of an example.**

**Answer:** Sustainable marketing involves more focus over the promotion of environment and social responsiveness. It lays more stress over preserving the resources for future generations. Example may be the promotion of recycled products minimizing harm to the environment.

**Question 9: What is meant by creative and stimulating marketing in the era of 'no demand'?**

**Answer:** Stimulation Marketing is the task of converting no demand into positive demand. So, it is the process of creating a demand for a product. For example, there is little to no demand for shoes in an area, so in order to transform no demand to positive demand, marketers must stimulate the market. At most times, transforming the public's demand for a certain product can be challenging. And there could be many steps for creating positive demand from no demand which includes building public awareness, reaching the audience, stay connected with them, give them solutions to their problem, create demand, focus on your product and services benefits. All these steps vary from market to market and according to your marketing strategies to create positive demand.

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## Theme # 2: Marketing Environment

In this theme, we will discuss the most important and essential topic i.e. Marketing environment. First of all, we have to understand what is "environment"? An environment is the surroundings of any living thing. Whatever around you is considered to be your environment. The environment is somewhat you are very used to with. It is actually everything around us. It comprises human actors, system's, physical, chemical, and other natural factors, etc. We can't change our environment abruptly. The environment is an extremely complex set of factors that define your behavior in every way and for every living thing. Our environment will influence us anyway and somehow we may also influence the environment. For example, a flower may grow when weather conditions are appropriate, or die if it is not. It couldn't survive with extreme variations in their environment.

Now, what is the marketing environment? In marketing our main objective is to deliver the value to the customer and in return earns value. Marketing is not alone; as per Phillip Kotler it has its own environment and in this environment, it has its own actors and forces that affect a firm's ability to deliver value to the customer and create profitable customer relationships ". Here we can take an example of one of the actors of the marketing environment and that is supplier. For instance, if you are making a surgical instrument and for that you use stainless steel metal, now the quality of the surgical instrument depends on the metal which a supplier provides you, what if the quality of that metal is not up to the mark it will certainly affect the ability to serve your customers and ultimately the relationship between you and the customer will suffer. In simple words, a firm is surrounded by internal and external forces which have a great effect on a firm's ability to sustain long-lasting relations with their potential customers. There are two types of the marketing environments, one is microenvironment and the other one is macro environment. Let's discuss them one by one.

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## What is Micro Environment?

The microenvironment is defined as the secure or safe environment, under which the firm works. The microenvironment consists of the Organization itself, Suppliers, Intermediaries, Competitors, Customers and Public. These actors are very close to the organization as they all work together and this would build your value network as well as a value delivery system. These actors are makers and breakers of the organization, because if these actors will not work properly then your ultimate goal to serve the customers will not be fulfilled. Firstly, we'll see the actors of microenvironment.

**1. The Company:**

In designing organization's strategies and objectives, marketing executives will make close coordination with other departments, within the organization because; if they do not develop coordination within the organization they can't achieve their goals in an appropriate way.

**2. Suppliers:**

They are the one who provide the resources for goods and services. For example, raw material, equipment etc. Business accomplishment depends on the suppliers as the supplier's good is the essential component of the end product of the buyer. It is famous sayings that treat your supplier as your partners to provide customer value.

**3. Marketing Intermediaries:**

The role of intermediaries is to promote, sell and distribute the company's products to the end users. If these intermediaries are not cooperative or supportive companies won't be able to deliver their value. Marketing intermediaries usually consist of wholesalers, distributors, and retailers that make a relationship between the organization and the customers.

**4. The Competitors, Rivals or Inspirers:**

Competitors are who aim at what we aim at. In business the presence of one or more competitors can cut down the prices of goods and services, just to gain the larger market share. Competitors are the inspirers as well and due to their inspiration, companies are becoming more efficient and determined in terms of goal setting.

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**5. Customers:**

The most important and beloved actors in microenvironment are our customers. They are the ones who buy goods for their own consumption. All the marketing activities are customer-centric. Customers are the king of business. They are important as companies need them and the success of their business depends on them.

**6. Publics:**

Public is any group which has an actual or possible interest in the organization to achieve its goals such as financial publics, media publics, government public, local public, general public or internal publics etc. They are actually the stakeholders. They are not direct buyers or suppliers, but they have somehow direct or indirect interest in achieving the objectives. Generally, it is the responsibility of the organization to satisfy the general public. The company must take decisions while taking the point of view of the general public into consideration because they played an important role in decision making. Now we will discuss these publics one by one.

**6.1 Financial Publics:**

Financial Publics are the organizations who work in financial sectors and influence the company's funding e.g. Banks, investment analysts, stockholders etc. These financial publics affect a company's ability to take loans. The financial experts of the companies will deal with these financial publics and very conscious to build a positive image of the company in front of the customers and other public.

**6.2 Media Publics:**

We are living in the information age and the custodians of the information are media houses. Media gives mass exposure to the company's activity. It includes Print Media, television, newspaper and Social Media like Facebook, Twitter etc. The role of Media is that much strong that it can make or break the companies. They are considered to be the watchdogs for the companies which protect the public interest against any mismanagement and malpractice. To deal with media houses the public relation department of the organization plays a vital role and always has good media relations. So they would highlight the strengths and hides the faults of the company.

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**6.3 Government Publics:**

Government is the protector of the state's public interest. They provide services too. Their work is to regulate the businesses and carefully watch that while operating the business they should follow the safety standards and rules and regulations.

**6.4 Citizen-Action Publics:**

There are many organizations (government or non-government) in our society who work for different groups or communities to protect their rights. They mostly work voluntarily. Sometimes these communities will be affected by the marketing activities of the companies. For protecting their rights this organization becomes activated. So to avoid any issue between these organizations and the company, Public relation department of the company intervene and takes care of what these groups are saying regarding the company. The key role of this public relation department is to make efforts to create a friendly relationship with them; otherwise, they will harm the name of the company.

**6.5 Local Publics:**

Every organization is working in some locality or area. The neighborhood residents are the local publics. Some production plants are running in these localities. These plants sometimes directly or indirectly harm the premises. For example, air pollution or water contamination etc. To compensate for the damage of this locality, organizations offer some incentives like providing the jobs or creating some hospital facilities to the local publics.

**6.7 General Publics:**

A general customer's perception or opinion portrays the general public. A good brand image or perception is very important for any organization's success. Different marketing activities will be undertaken to create a positive image of the company. This opinion or perception of the general public can be judged by the feedback which they shared through social media or other media. So this opinion of general publics is very important for the image building.

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**6.8 Internal Publics:**

The internal publics are the vital resources of the organization. They are actually the company's own employees, executives, suppliers or stakeholders. If a company wants to increase its goodwill, they should make their internal Publics happy and content. For that, they have to arrange meetings in which they educate and involve their internal publics and inform the employees about the new development of the company.

After concluding microeconomics, we will come to the next environment which is the macro environment.

## What is Macro Environment?

Macro environment refers to the broader environment; it has no concern with the immediate environment. The macro environment is the external forces which are not controllable and can affect the processes of all business setups. These forces have an indirect effect on the company's operation and working situation. Macro environment consists of six external forces i.e. demographic, economic, natural, technological, political and cultural.

**1. Demographic Environment:**

Demographics are the study of population based on factors such as age, race gender, size, density, location, occupation etc." These demographics are very important to learn for the purpose of policy development and economic market research.

Now the question arises why the population is so important? It is important because people needs and wants are the reasons for companies to exist. In simple words, people are the motivating factor for the growth of markets. Therefore, marketers should keep a close eye on demographics. But over time there is a change in demographics in terms of world population, age structure, family sizes etc. This change in demographics both offer opportunities as well as threats for the businesses. Mostly large companies conduct demographic research to decide how to market their product and how to grab the potential customers. This information helps the company to select how much investment is needed for the specific group.

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**2. Economic Environment:**

We have to see the factors that affect consumer purchasing power and spending patterns. We will take an example that, an organization could not start exporting their good to a country until they have examined how much people will be able to spend and what are their purchasing powers. To check the health of the economy and growth rate, we have many economic indicators, which are GDP volume and growth rate, Per capita income, Interest rate, inflation, Import Duty rate etc.

**3. Natural Environment:**

The natural environment in the Macro Environment is very important as far as the natural resources are concerned. You may do business in whichever place, your business will come across the local environment and you will shape your business according to the environment you are encountered in. The most important changes in the natural environment are the increasing shortage of raw materials especially in terms of non-renewable resources like water, gas, and oil. Moreover, increased pollution is also one of the factors of a natural disaster. Due to the shortage of natural resources, the governments then intervene in these issues and make some environmental sustainable strategies. So being a business person or marketer one should keep a record of the trends in the natural environment.

**4. Technological Environment:**

It is the most crucial force of the Macro Environment. In the last few decades, there is a drastic development in technology, and we are in favor of advanced technology because we are in favor of convenience and ease. New products and services are imaginable due to new technologies. This new technology has affected every phase of our lives. If we look back like few years before we‘ll see how we shop, to how we travel to how we linked ourselves. Technology also affected businesses around the world as technological transformation get both opportunities and threats for a business. Every novel technology swaps an older one, so if businesses would not adopt such technological changes these businesses will very quickly be obsoleted and outdated from the market. Thus marketers must keep an eye or watch very carefully about the dynamic changing trend of the technology and try to adapt it as soon as possible. A very relevant example here is the world-renowned Photocopy Company "Xerox” which is obsoleted, because they have not adopted the new technology and today only a few people know the name of that giant company.

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**5. Political and Legal Environment:**

Political factor is one of the external environmental factors which affect the business both positively or negatively. Businesses are strictly influenced and affected by changes in the political environment. That's why before entering a new market in a foreign country; the company must know each and everything about the legal and political environment of the host country. Companies should know how a country's political system affects the economy. They also need to evaluate how stress-free it is for the company to enter and exit, they may also assess the political risk and stability of the country.

**6. Cultural Environment:**

Cultural factors play a major role in our society. Our lifestyle, values, and attitudes determine culture. "Culture is the integrated sum total of learned behavioral traits that are shared by members of society". Cultural factor is one of the most influencing factors as far as the business decisions are concerned. So for businesses it is very essential to consider cultural barriers while making their business strategies. For example, The McDonald's of Pakistan is much different from the McDonald's in India. This is because McDonald's is capable to adapt its food and business strategies according to each culture. It is also necessary for the businesses to respect the differences between cultures and obeys to the country's policy.

The sum up of all the internal and external environment study is that, all organizations plan according to their environment, the only change is in their attitude and approach. Sometimes this approach is proactive, sometimes it is reactive and sometimes it is active. The old adage that prevention is better than cure is appropriate here. So I think it is better to be proactive rather than reactive or active. In simple words, the proactive approach emphases on reducing the problems before they will appear. Our marketers and businessmen should also be smart enough to cope up and adopt the proactive approaches to survive in the environment.

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## GENERALLY ASKED QUESTIONS

**Question 1: What is the major difference between micro and macro environment and what's its key role in field marketing?**

**Answer:** Micro environment is the close or nearest environment in which the firm operates. It affects the working of a particular business only to which they relate to. While, Macro environment mentions the overall or broader environment, that can affect the working of all business enterprises. It actually affects the functioning of all the business entities, operating in the economy. These environmental factors are beyond the control of marketers but they still influence the decisions made when creating a strategic marketing plan.

**Question 2: What do you understand by the term publics?**

**Answer:** A public refers to a group that has an actual or potential interest in or impact on a company's ability to achieve its objectives. Financial publics, media publics, government publics, local publics, general publics or internal publics are some of the examples of Publics. It is the key responsibility of the company to satisfy the public at large including its customers and competitors. Also, creating good will among the public helps to get a favorable response for a company.

**Question 3: What do you mean by rivals in marketing term?**

**Answer:** In simple words Rivals are the competitors. In terms of marketing, Rival is a person who is competing for the same product or service as another. For example Surf Excel is in direct competition with Arial.

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**Technical Articles – MGT301**

## Theme # 3: Organization and Marketing Strategy

After studying environmental analysis, in the current theme we would discuss about Organization and marketing strategy.

Marketing is all about serving customers profitably. Marketing is surrounded by environment which has actors, factors and forces that affect marketing positively or negatively. Environment remains the same but organization has to deal with its environment. Marketing strategy is basically response of marketing to its environment.

Strategic planning is done at broad level in any organization. However, Strategic planning is known as the process to develop and maintain strategic fit between organizational capabilities and goals in a dynamic marketing environment. Goals can be to be no.1, to grow etc, capabilities can be some resources or skills that an organizational can have.

As individual is affected by its environmental changes and get dressed according to weather, similarly organizational environment has an effect on the organization and marketing specifically. Parts of strategic planning are:

1. Environment analysis
2. Internal analysis
3. Vision
4. Mission
5. Objectives

Environment means what surrounds organization/ market. Environmental analysis is the process of studying actors, factors and forces outside marketing to map challenges and opportunities.
Actors---------e.g supplier, distributors etc.
Factors____ public
Forces_____e.g economic, political forces

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So all these are outside market and we need to analyze them. There are several tools for environmental analysis.

PESTEL/STEPEL

- 
- Political
- Economic
- Social
- Technological
- Ecological
- Legal

As a result of environmental analysis we can come up with several opportunities and challenges.
**Internal analysis** is a process of studying actors, factors and forces inside organization to map strengths and weaknesses. These actors' factors and forces can be resources, technology, machinery, location, brand or any other thing that can give organization as strength vice versa for weaknesses.
There are several tools of internal analysis but for the scope of this course we would study Portfolio Analysis only.

**Portfolio** means basket of products and services that are offered. In portfolio analysis the products and businesses are the evaluated by the management of the organization, and this activity has a essential role in strategic planning.
Usually in marketing we follow the trend that which products are our strengths and which are weaknesses.

Result of internal analysis

- Strengths
- Weaknesses

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Once an organization has done its strategic analysis about its external environment and about its internal strengths and weaknesses then it has to be sure about its vision.

**Vision** gives long term direction, what it wants to be in long term. Forward sports is a Pakistan based manufacturing company that makes soccer balls for international football games, its vision is: "Translating marketing and business goals into design strategy, novelty and to attain a new product success."

Millat tractors Vision is:

"Millat to be a global group of companies, recognized for a range of quality products with innovative design capabilities."

Through vision we get direction, after that, organizations have a mission to achieve its vision.

**Mission**: Organization's purpose; what is wants to accomplish in the larger environment, and the business organization is in.

Examples: **Forward sports**: "Aiming to work with coherence of renowned global brands, organizations and entrepreneurs".

**Adidas:** "to be the best sports company in the world".

We should always have mission in terms of customers/ customer needs rather than in terms of products. For example we are not selling mobile phone we are selling way of communication.

After setting missions we need to set objectives. Objectives are what an organization wishes to achieve precisely. Such as increasing market share, offering new outlets, more customer satisfaction. Objectives/targets and goals are used as same meaning over here. Sometimes in theory Goals are broader objectives and targets are more specific.

As discussed earlier **business portfolio** is the assortment of businesses and products that make up an organization. For example, a company making all household items e.g. hand soap, detergent, tea whitener and everything else. All these items would be its portfolio.

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**Strategic Business Unit** (SBU) is known as the unit of any organization that has a separate planning as compare to other businesses of the company/organization with separate mission and objectives.

Some products are so important that you have to have separate mission and objectives. **BCG matrix** is a tool for portfolio analysis. It is done on the scale of relative market share and market growth rate.

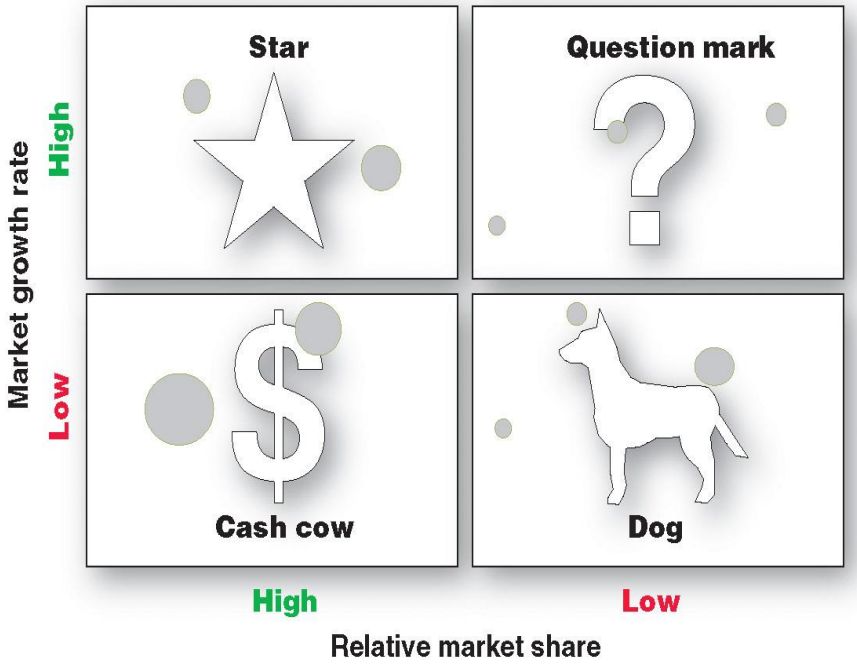
**Star**: This Quadrant has High growth rate with High market share.

**Question mark**: This Quadrant has high growth rate with low market share

**Cash cow**: This Quadrant has Low growth rate with high market share

**Dog**: This Quadrant has low growth rate with low market share.

If portfolio has a balance of all these products it can cope with changing environment.




**Source:** Kotler, P., & Armstrong, G. (2010). Principles of Marketing, 10th Edition.

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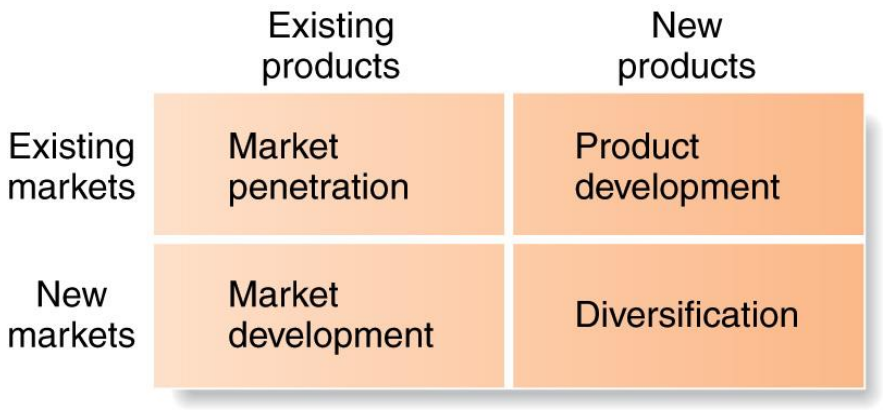
**Product/ market expansion Grid** is a tool for identifying company growth opportunities through market penetration, market development, product development or diversification.

**Market penetration**: Means existing products in existing markets. These products require more promotion.

**Product development**: New product in existing market. You get more growth with more revenue.

**Market development**: Existing products in new markets. E.g same product in new geographical area.

**Diversification**: New product in new market.




**Source:** Kotler, P., & Armstrong, G. (2010). Principles of Marketing, 10th Edition.

What we deliver to customers and what we get in return both are values. Products / services that are offered to customers are the result of any need. **Value chain** is a chain of different departments that perform value producing activities such as design of a product, producing of a product, marketing of a products and delivery of a products, and finally to provide the support services to a company.

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**Value delivery network** consists of company, suppliers, distributors and customers who work together to improve performance of the entire system. Suppliers deliver value to company then they deliver to distributor who ultimately deliver to end consumers. Companies not only invest in themselves but they also invest in their suppliers and distributors. If any of these fail to deliver, company will not be able to deliver value to its customers. A single organization cannot fulfil needs of the society and cannot fulfil needs in the same manner market can be divided into different segments.

**Market segmentation** is the process of dividing market into different group of buyers with different characteristics, attributes, and needs. These buyers need distinct products or marketing mixes. Segmentation can be done on the basis of gender, location, age etc. People in a similar segment have similar needs and characteristics for which separate products and marketing mix is required. After segmentation is done targeting is done. It is not always possible for companies to target every segment that they have made. **Market targeting** is the process to evaluate the attractiveness of each market segment in order to take the decision to enter in that segment or to target that segment.

**Market positioning** is a process to create a unique and distinct place of a product as compare to competitor's products in the minds of target consumer. For example, some tooth pastes are famous for its cavity protection, and some for whitening. This is positioning.
Marketing mix is developed after segmentation, targeting and positioning are done.

**Marketing mix** consists of marketing tools such as products, price, place and promotion. The combination of these four factors are controlled by a company to influence its customers to purchase its products.

These are actually 4 Ps of marketing mix. When we talk about products we talk about its quality, design, packaging etc. Price includes listed prices, available discounts, payment methods etc. In promotion we discuss advertising, personal selling, sales promotion and public relations. Place deals with channels, locations, inventory, transportation and logistics related methods.

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Customer is the core of marketing activities. In external environment there are marketing intermediaries, competitors, suppliers and publics. Market analysis, planning, implementation and control is done. 4 Ps are developed for the product. As explained earlier, Market is divided into segments and then appropriate segment is targetted and positioned.

**Marketing ROI**

In simple words, a company spends a handsome amount on marketing activities and expect to have a good return on this investment. It has different methods to calculate marketing return on investment but generally the net return is divided by costs of marketing investment.

For building marketing strategy we need to do SWOT analysis as well.

**S Strengths** – It shows internal capabilities of the company to reach its objectives

**W Weaknesses**- It shows internal limitations of the company that creates hindrance for a company to achieve its objectives

**O Opportunities** – It shows how a company can take advantages of opportunities available externally

**T Threats**- It shows how factors may challenge a company's performance

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## GENERALLY ASKED QUESTIONS

**Question 1: What is the difference between customer and consumer?**

**Answer:** A customer is a person who purchases something from the market. While a consumer is a person who consumes that thing. For example, you purchase candies for your children. Here, you are a customer and your children are consumers.

**Question 2: What is PESTEL analysis?**

**Answer:** PESTEL stands for Political, Economic, Social, Technological, Environmental, and Legal factors. It is also known as PEST analysis. An organization does the PESTEL by evaluating all these factors and their impact on the business. For example, in political factors, a business must evaluate the factors like government policy, political stability or instability in overseas markets, foreign trade policy, tax policy, labor law, environmental law, trade restrictions, and so on.

**Question 3: What is basic difference between suppliers and distributers according to marketing?**

**Answer:** A supplier can be a person who provides the products or goods to the consumers, usually with the help of distributors. A supplier could be a manufacturer. Whereas, a distributor is the one who distributes the goods directly to the wholesalers and retailers. You can say a distributor is an intermediary between the manufacturer and consumers.

**Question 4: What is the difference between political and social-ecological?**

**Answer:** In marketing, political analysis focuses on the interrelationships among individuals, governments, and public policy whereas a social-ecological system consists of 'a bio geophysical unit and its associated social actors and institutions. It includes the study related to social values and welfare.

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**Technical Articles – MGT301**

## Theme # 4: Marketing Information System

Customer is amongst 5 C's of marketing and keeps top most significance as all activities in a marketing system surround the customer. Accordingly, successful organizations build up lifelong relationships with their customers. In order to build strong and lifelong relationships with customers it is quite significant to understand the needs of the customers. Organizations collect information about their customers' needs through a range of sources and the information that organizations collect in this regard is called Marketing Information. Since, marketing environment is dynamic, that's why marketers need to develop their marketing strategies according to latest information about customers' needs and demands.

As we are living in a dynamic and digital marketing environment, thus, customer plays the most significant part to produce marketing information. While talking about social media sites; these are enriched ways for companies knowing their customers' bio-data and grab their needs. Thus, a large data becomes available for markers in the form of Marketing Information System that help them identify the characteristics and demographics of their targeted customers. Managers use this data to make multiple decisions about certain marketing issues. Managers make major marketing decisions based on the information they gather from marketing environment and this information is stored in marketing database to maintain a record and for further decision making when needed. This is called internal data. While talking about the external data, Marketing Intelligence helps marketers in a variety of marketing decisions i.e. increasing sales, building customer retention capacities, and keeping an eye on competitors.

Coming towards Marketing Research, it helps an organization increasing profit, maximizing sales, knowing the reason of declining sales, and assessing the feedback of customers before launching any product. Marketers go through the process of marketing research to make decisions based on systematic and logical conclusions. Marketing research department assesses that what kind of information about customers is required by seeking guidelines from Marketing Managers and other Information Users. Marketing research department collects this information

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from Marketing Environment (Target Marketing, Marketing Channels, Competitors, Publics, and Microenvironment forces) and afterwards the information is moved towards Internal Databases, Marketing intelligence, and Marketing Research process for the sake of developing analyzing and using the information. In the first step of marketing research process problem is defined and objectives of the research are designed. The marketing problems could be of various types i.e. a) newly launched product is not obtaining positive feedback from the users, b) advertisement policy is not working according to the advertising objectives, c) customers are complaining about any product, d) how competitors are influencing the product, e) what difficulties have been assessed in the pricing policy of the product. In the second step research plan is developed for the sake of collecting information. Information could be collected through interviews, surveys, and from published material. In the third step of research process research plan is implemented for the sake of collecting and analyzing the data. In the last step the interpretation and reporting of findings is conducted. For the purpose of implementing marketing research process different types of researches could be conducted according to the nature of the study. For example exploratory research that is among the three types of Marketing Research is used to investigate a problem that is not clearly defined. The research is carried out when the problem is at initial or primary stage. For example manager of a coffee shop feels that increasing the variety of flavors in the coffee may increase the customers and he carries out an exploratory research and hypothesizes that increasing coffee flavors will enable him to get more customers. While the purpose of descriptive research in marketing scenario usually is to know the profiles of customers and competitors. This type of research describes the characteristics of the population being studied; for example, an apparel brand intending to know the fashion trends of any particular region i.e. Islamabad will conduct a demographic survey of Islamabad, gather population data and then would conduct descriptive research on this particular segment. On the other hand Causal Research is conducted to test hypotheses about cause-and-effect relationship. Causal research assesses the effect of one variable on the other, for example, to know the reasons of downfall in the distribution network a firm would go through the process of causal research and would assess the effect of political policies, low incentives, or any other variable on the downfall of distribution channel. To conduct all the mentioned types of research marketers collect the first-hand or primary information through various methods like surveys, interviews, or experiments. For example if a company wants to check the response of consumers about its

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newly launched soft drink; the personnel of the company may go to different shopping malls and take interviews or ask questions about the taste of new soft drink. In this way the company collects primary data from the consumers; while the sources of secondary data could be newspaper, magazines, journals, and government databases. Although the information in the mentioned sources is published for various purposes but it could be used for research purpose taking in consideration the relevancy of the data. To collect primary data from customers various research techniques could be used i.e. in observational research technique the researcher observes the ongoing behavior of any subject in the natural setting. For example if any company offers free samples of tea whitener along with the tea; the researcher may go to any shopping mall and may record the responses of the customers by observing customer's movements i.e. excitement, and eagerness to purchase the tea. On the other hand in ethnographic research researchers submerge them in the lifestyle of consumers to know depths and details about consumers. Ethnographic research may be conducted in person or installing cameras in participants' homes or offices. Another type among research techniques the survey research is conducted through questionnaires, interviews. Surveys offer a quick way of collecting required information. Survey research is conducted in public areas or visiting targeted offices, schools, universities etc. You might have ever met any person coming to you to with a bunch of few papers to give your opinion about some problem discussed in that particular paper or questionnaire. Thus, different survey or contact methods could be used to collect the data from customers i.e. mail, telephone, personal contact and online contact. The forth type of research technique; the experimental research is about gathering primary data by selecting matched groups of subjects, giving them treatments, controlling related factors, and checking for differences in group responses. For example to test the effect of improving packing of deodorant on deodorant's sales growth the researcher might keep all other factors i.e. odor, quantity and price of the deodorant constant/controlled. Thus, marketers find logical conclusion about any marketing phenomenon following the marketing research process and may store the collected information in Marketing Information database for future use as well.

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## GENERALLY ASKED QUESTIONS

**Question 1: Describe Market information system (MIS) with real time example.**

**Answer:** Marketing Information System is the collection, sorting and evaluation of market and customer data for decision making. Managers need such type of data on regular intervals for decision making. For example companies collect and maintain the databases of their customers' needs, demands, behaviors, lifestyles, and professions etc. Companies keep updating the data according to changing customers' demands and dynamic environmental trends, so that Marketing Managers may use this data for decision making about products and services.

**Question 2: Is it possible to get data or information about the product with the help of descriptive research?**

**Answer:** Organizations may use a descriptive research design to know that how different target groups respond to a certain product. For example, a clothing brand creates a survey asking general questions that measure the brand's image among its target customers.

**Question 3: Why is it important for Marketing Mangers to get information about their customers?**

**Answer:** Marketing Managers collect and maintain the information about their customers' needs, demands, behaviors, lifestyles, and professions etc. They use this information to come up to customers' expectations about products and services. They also keep updating the information according to changing customers' demands and dynamic environmental trends, so that they may sustain customers and face the competitors.

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**Question 4: Explain Marketing Information System (MIS).**

**Answer:** Marketing Information System is the collection, sorting and evaluation of market and customer data for decision making. Managers need such type of data on regular intervals for decision making.

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## Theme # 5: Consumer Buyer Behavior

The most important component of the marketplace is consumer. The buying behavior of end user is referred to as consumer buying behavior. Consumer market consists of all the end users who purchase the goods or services for their personal use.

Every day, consumers are making many buying decisions for which marketers are researching on why, how, when and what are they purchasing. Marketers can learn how, when, what and how much the consumers are buying by studying actual consumer purchases but it is hard to know "whys" of consumer buying behavior. The answer to "why" the consumer is buying something lies deep inside the mind of the consumer. Often, the consumers don't know themselves why they are buying certain product. Figure 1 represents a model of consumer buyer behavior which illustrates that marketing and other environmental stimuli enters the "black box" of consumer which further produces specific responses. The major job of the marketers is to understand what is in the black box of consumer.

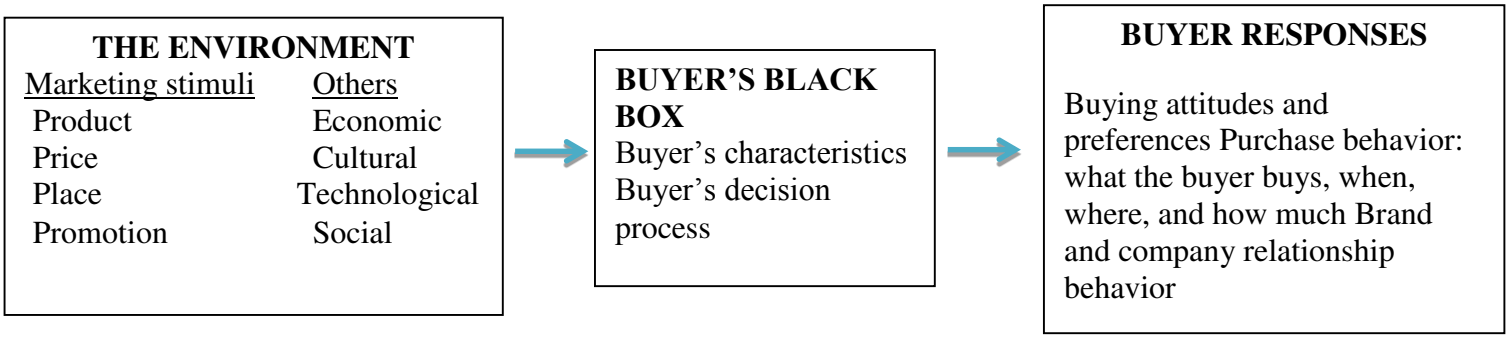



**Figure 1: Model of consumer buyer behavior**

Marketing stimuli involves product, place, promotion, and price. Other environmental stimuli consist of economic, technological, social, and cultural forces. The aim of marketers is to comprehend the process of buyer's black box which changes these stimuli into specific responses.

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Buyer's black box has two components; buyer's characteristics which deals with how consumer perceives and responds and other is buyers decision process which affects buyer behavior.

First, we will see the **buyer's characteristics which influence buyer's behavior** as shown in figure 2. Consumers' buying is significantly affected by social, cultural, personal, and psychological factors. These are the factors which are not in the control of marketers.

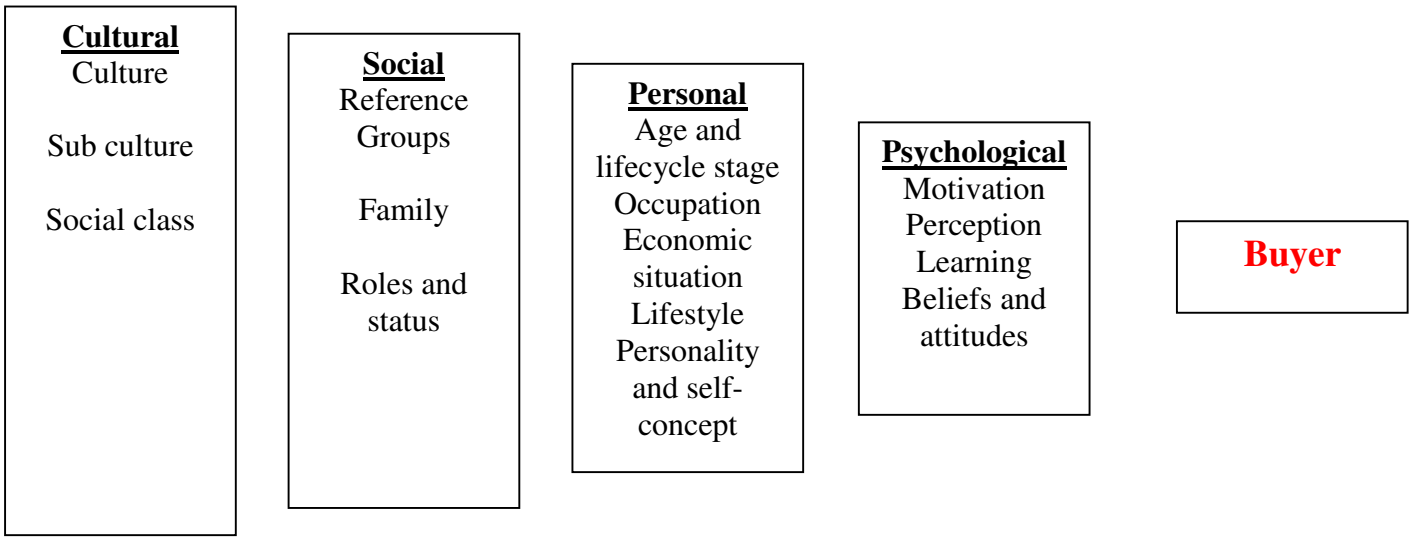



**Figure 2: Buyer's characteristics Influencing Consumer Behavior**

***Cultural factors*** have a huge effect on the buying behavior of consumer. Marketers must recognize the importance of buyer's culture, social class, and subculture. The major reason of a buyer's wants, and behaviors is his/her culture. In other words, culture shapes the wants of people. *Culture* refers to as the set of basic wants, behaviors, perceptions, and values that a member of a society learns from his/her family or other institutions. Whereas every culture has its own traits and characteristics.

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Following are the characteristics of Pakistani culture:

- Orientation/inclination towards religion.
- Hospitality. The guests, visitor, tourists, whether local or international are always welcomed by Pakistani people and they are well taken care of.
- Passionate, expressive and emotional
- Aggressive
- Fun loving and colorful; they enjoy and celebrate each moment and event to the core. Hanging out and family or friends gathering is common in Pakistani culture.
- Hardworking and tough
- Family comes first in Pakistani culture. Pakistani culture is led by collectivism instead of individualism where family and other relationships are always there for each other's support.
- Humble, approachable, helpful and friendly
- Male dominant and conservativeness
- Diversity

Every culture has small cultures within it. These small cultural groups consist of the people who share same values and perceptions called *subcultures*. Subcultures are basically cultures within a culture. They include religions, nationalities, regions and ethnic groups etc. These small cultural groups (subcultures) can make an essential market segment and marketer soften design the products based on subcultures. Example of four major subcultures in Pakistan is as following:

Punjabi culture: main characteristics of Punjabi subculture are hospitality and love for food, poetry and music.
Sindhi culture: main characteristics of Sindhi subculture are love for mystics and Sufism, Sindhi folk songs and music.
KPK Culture: main characteristics of KPK subculture are hospitality, love, care and respect for guests, bravery and protection/respect to females.
Balochi culture: main characteristics of Balochi subculture are arts and crafts, tribes, festivals and storytelling tradition.

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Another factor affecting buyer behavior is social class. The *Social classes* are a society's divisions based on the similar interests, behaviors, and values of society's members.

1. **Upper Class:** This class consists of the elite who have inherited wealth. They also include people who have made high income or wealth through exceptional ability. This class can further be divided into upper uppers and lower uppers.

2. **Middle Class:** This social class comprised of independent businesspersons, corporate managers and professionals who have neither unusual wealth nor family status. They purchase branded products to maintain themselves according to the ongoing trends. This class can further be divided into upper middles and lower middles.

3. **Lower Class:** This social class comprised of poor who are working. Their standard of living is just above the poverty line. It also includes poorly educated unskilled laborers. This class can further be divided into upper lowers and lower lowers.

These social classes and their further divisions can become a distinct market segment for marketers as each social class share the same attitude, behavior and spending pattern.
Another major factor which Influences consumer behavior is **social factors** such as: groups, family, social roles and status and social networks.

Different Groups impact the consumer's behavior. The *Groups* which the person belongs to, have a direct impact on his/her purchasing behavior; such group is called membership group. On the other hand, reference groups are the groups which influence people who do not belong to them. They are inspired with that group, compare themselves with them and want to be like them. For example, for a cricket lover, the reference group will be national cricket team. Marketers must find the 'reference groups' within their target markets and try to influence the attitudes of the consumers through creating pressure via reference groups. For example, taking a cricket star in their advertisements to target cricket lovers.

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A new kind of social interface has been emerged over the last years, which is "*online social networking"*. Online social networks are the groups on internet or online communities where individuals meet, socialize, and exchange opinions on internet using social networking websites like Facebook, Instagram and Twitter. Marketers are trying to use these recent technological platforms to have one to one communication with customers and become the part of their lives and conversations.

Another important group which can influence a consumer's purchase decision is *Family*. Family structures and buying behaviors have been widely researched in marketing. Marketers are concerned to know the influence of husband, children and wife in family decision making as well as the overall buying behavior of family.

A person belongs to different groups at one time; for example, family, organization, sports club, online community. The position of an individual in each group is characterized by both his *status and role.* A role is defined as the activities/actions people of that group expect you to perform. Each role holds a status based on the general approval given to it by society. For example, a person may be the brand manager in his organization, a father and husband in family, a captain in sports team and opinion leader in online community.

A consumer's decision is also affected by **personal factors** that are his/her personal traits or characteristics e.g. age, economic situation, occupation, personality, life style and self-concept.
People's *occupation* plays a major role in what they buy. For example, business people may buy suits while a person working in factory will buy rough clothing. Marketers identify different occupational groups and see if they can target them according to their product. People keep on changing the goods and services during their lifetime. At young age, they use different products and will change them as the get aged. Taste of food, clothing, recreation and furniture changes as the person gets old.

Another factor which plays a major role in consumer's buying pattern is his *economic situation*. People spend on goods and services based on the income they earn. Marketers have to see the trends in personal income, interest rates and savings and reprise or redesign their products to target

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the specific group accordingly, if needed. People also buy goods and services according to their *life style*. The lifestyle of the people of same subculture group or same social class might be different as it is a person's style of living. Lifestyle encompasses consumers' major AIO dimensions which are: activities (hobbies, shopping, work, shopping, social events, sports), interests (family, fashion, recreation, food), and opinions (about social issues, business, themselves, products). Marketers have to understand that consumers don not purchase products, they purchase values and lifestyle.

*Personality* is defined as unique psychological traits that differentiate an individual or a group from that of others. It is usually defined as personal characteristics for instance sociability, honesty, autonomy, self-assurance, aggressiveness, and beauty. Personality of a person has a greater impact on his/her product choice. Marketing research suggests that brands also have personalities. Consumers buy the products which suit their personalities or the ones which have the same personality characteristics as the consumer has.

The buying choices of consumers are further affected by **psychological factors** which include attitude, beliefs, learning, perception and motivation.

People have many needs at one time; some needs are biological needs for instance hunger, thirst, or comfort whilst others are psychological for instance esteem needs, need for recognition, and love. A need turns into motive when it reaches to a certain level of intensity. When a need is so intense that it motivates/persuade a person to seek satisfaction, it is called *motive*. This *motivation* to seek water when you are thirsty or food when you are hungry is what marketers use to persuade consumers to buy their products. There are different theories of motivation; we will discuss here Abraham Maslow's theory of motivation called hierarchy of need theory.

Figure 3 shows the five needs in a pyramid, from extremely pressing needs at the bottom side or base to less pressing needs at the top of the pyramid. The needs include self-actualization needs, esteems need, social needs, safety needs and physiological needs. Maslow explained that these needs are sequential. One cannot move to the upper level need unless he/she has satisfied the previous need in the hierarchy. A person first tries to fulfill the basic needs. When these needs are

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satisfied, they will stop motivating the person and he/she will then try to satisfy the next pressing need.

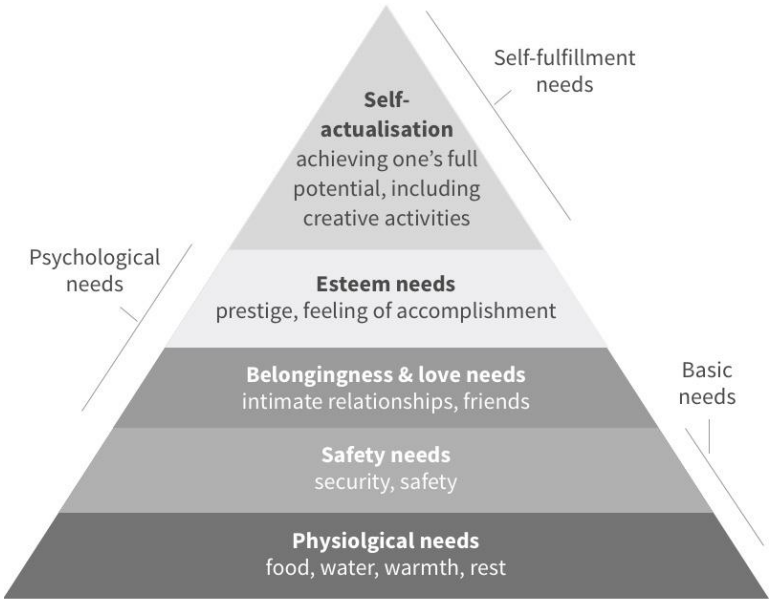



**Figure 3: Maslow's hierarchy of need theory**

When a person is motivated, he/she is ready to take some action. How that person will act, depends upon his/her perception. *Perception* is a process by which an individual selects, organizes, and interprets pieces of information in order to form a meaningful image of the world. It's a glass through which we see the world. Different individuals can form different views about the same object due to three perceptual processes: selective distortion, selective attention, and selective retention. Consumers are bombarded with thousands of ads or stimuli every day. It is not possible for them to pay full attention to all. The preference of the consumers to screen out information which they are exposed and not interested in is called *selective attention.* Marketers must work hard on marketing campaigns to capture the attention of target consumers. Even if the consumers pay attention to a certain stimuli does not mean that the information has been transferred the way it was intended to. Every person matches the received information into his/her existing mindset. The tendency of individuals to interpret information in a way which favor their existing beliefs is called *selective distortion.* Consumers do not remember everything they pay attention to. *Selective retention* means that consumers are expected to remember good things about a product they support and forget good things about competing products or brands.

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When people take action, they do learn. *Learning* is defined as the change which occurs in a person's behavior because of his/her experience. Most of the behavior is learned. For example, if a person buys Apple computer and his experience is good, he will buy Apple's products again, and his response will be reinforced.

Through perception and learning, consumers develop beliefs and attitudes which, in turn, impact their purchase behavior. A *belief* is referred to as a descriptive thought which a person holds about something. Beliefs might be based on opinion, faith, or knowledge. These beliefs create brand image of products which is the reason marketers are concerned about the beliefs that consumers make about their products. *Attitude* is defined as a person's comparatively constant evaluations, tendencies, and feelings about an idea or object. Attitude is what makes consumers like or dislike something. To summarize, social factors, cultural factors, psychological factors social factors, and personal factors collectively influence the buyer behavior and purchase decision.

The second component which influences buyer's black box is **buyer decision process**. Before discussing buyer decision process, we will see types of buying decision behavior.
Buying behavior of consumers differs for different products. Buying behavior for a toothpaste or shampoo will certainly be different from a car or mobile. Figure 4 shows different **types of buying behavior** based on the degree of differences among brands and the extent of buyer's involvement.

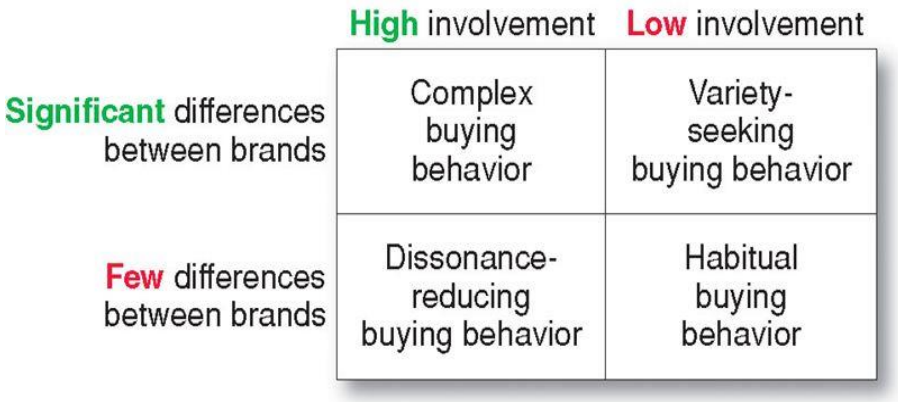



**Figure 4: Types of buyer decision behavior**

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C*omplex buying behavior* is undertaken by the consumers when they are highly engaged in the whole purchase process and there are significant perceived differences among brands. Buyers are highly engaged when products are costly, purchased infrequently and risky. Consumers undertake *dissonance reducing buying behavior* when they are highly involved with an expensive, risky and infrequent purchase but there are few perceived differences among brands. For example, if a person wants to purchase carpet, he will face few differences in carpet brands. In this type of buying, consumers may face post purchase dissonance (after-sale dissatisfaction) which marketers can reduce by after sale support so that consumer feel good about their purchase decision. *Habitual buying behavior* occurs where consumers are less involved and there are few significant brand differences. For example, low cost products like daily grocery items. Buyers undertake *variety seeking buying behavior* when there is low involvement but significant perceived differences among brands. In these cases, consumers go for brand switching. For example, if a consumer purchases biscuits, he/she would like to try different brand every time.

Now we will see how consumers make buying decisions. Figure 5 shows the five stages of buyer decision process.




**Figure 5: Buyer decision process**

The first stage in buying process is **need recognition** where the buyer identifies the need. This need can be caused either by internal stimuli (hunger or thirst) or external stimuli (where consumer thinks of buying a new mobile by watching an advertisement). Second stage is **information search** where consumer's drive is so strong that he/she starts searching for more information about the product. Information can be gathered from several sources such as personal sources (family, friends and colleagues), commercial sources (media, advertisement, and sales people), public sources (mass media, internet search) and experiential sources (examining, handling and using the product). Marketers need to know about **alternative evaluation** which is related to how consumers

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evaluate different products to choose the final product to purchase. Consumer uses some personal criteria of evaluating different brands which depends on individual consumer as well as specific buying situation. After evaluation among the alternatives, consumer chooses one product to purchase and make the actual **purchase decision.**

The process does not end here; after buying the product, buyer may be satisfied or dissatisfied with the product. If the performance of the product is below expectations, consumer will be dissatisfied. On the other hand, if the performance of the product meets expectations, buyer will be satisfied. Moreover, if the performance of the product is above expectations, buyer will be delighted.

An important thing to consider here is, in case of new products/innovations, buyer's decision process would be different. A new product is a good, idea, or service, that is recognized by some potential buyers as new. The perceptual process, through which a person goes from first knowing about an innovative product to final adoption of that product, is called **new product adoption process.** A consumer goes through the following five stages while adopting a new product/innovation.

***Awareness:*** The consumer hears about the new product but have a little knowledge about it.
***Interest:*** The consumer tries to get more information about the new product.
***Evaluation:*** The consumer evaluates the benefits of the new product. Is it of any use to him? Does this purchase make sense? Will it benefit him?
***Trial:*** It is very hard for consumers to buy a new product without trying. So, the consumer tries the new product (if allowed) on a small level to improve his or her assessment of its value.
***Adoption:*** The buyer takes decision to fully use the product.
When introducing innovations/new products, marketers have to think on how they can help consumers pass through these stages to make them try the new product.

When introducing new products in the market, marketers should know how much the product characteristics influences its rate of adoption. Some innovations are adopted too quickly like microwave while others take long time to be accepted in market. Following are the **characteristics of products which influence new product's rate of adoption.**

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***Relative advantage*:** Consumers will adopt the new product more quickly if they think it is superior to the existing products. For example, when microwave was introduced, there was no such thing in market which could heat food in seconds without using stoves.

***Compatibility:*** Compatibility is the extent to which a product matches the experiences and values of prospective consumers. It is related to the product traits that affect the adoption rate because consumers will not adopt the product initially if it is not compatible with their mindset.

***Complexity:*** The extent to which a new product is hard to use or to understand is also one of the product traits that affect the adoption rate. For example, when microwave was first introduced in the market, it was adopted very fast because of the ease to use it.

***Divisibility:*** Divisibility refers to the extent to which a product may be tried on a limited basis. Consumer wants to try some expensive product before purchasing it. For example, consumer will not buy the new car without having to test-drive it first. In case of the products which are too expensive, the rate of adoption is slow as there is less opportunity to test it before purchase.

***Communicability:*** Even if all other product traits that affect the rate of adoption are satisfactory, communicability can still slow down the adoption of the product substantially. Communicability is the extent to which the results of utilizing an innovative product can be seen or described to others. Because microwaves lent itself to display and description, its consumption had spread faster among customers.

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## GENERALLY ASKED QUESTIONS

**Question 1: What is the key difference between exploratory and descriptive research with examples?**

**Answer:** An exploratory research is the investigation of a problem which is not clearly defined and answers the 'why' element of a question. While in descriptive research we describe the characteristics of a phenomenon under study by answering the 'what' element of a question. For example, a researcher wants to investigate the purchasing pattern of a clothing brand so in order to answer the question 'what is the purchasing pattern of customers in Lahore'; he conducts descriptive research. While in order to study the 'why the customers of Lahore purchase a particular clothing brand?' he conducts exploratory research.

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## Theme # 6: Business Markets and Business Buyer Behavior

In the previous theme, we discussed about consumer buying behavior. In this theme we will discuss "Business Markets and Business Buyer Behavior". The primary objective of this theme is to build the basic vocabulary and concepts of business buying behavior that will help you to apply this knowledge in the real-life scenario.

### A. Business Markets:

In business markets, we sell products and services to other organizations rather than directly to the consumer also known as business to business market (B2B). In business markets a wide range of products exist from simple products (coffee, furniture, mobiles) to more complex products (aircraft, computer systems, surgical instruments etc). Major companies in this field include manufacturers, service providing companies and government institutes.

### B. Business Buyer Behavior:

It is the intent and behavior of the organizations to purchase the products for their use or resell to the other organizations. They might be the products or services that can be used in the production of other products or services. The role of wholesaler and retailers are also part of this behavior because they purchase the goods and sell to others or rent them at a profit.

### C. Business Buying Process:

It is the process in which the employees of the organizations decide which products or services are required, and then purchase the product by evaluating and selecting the best alternative solutions. It is beneficial for (Business to Business) marketing managers to understand the concept of business markets and business buying behavior so that they could apply these concepts to build profitable long term relationships with business consumers.

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## D. Characteristics of Business Markets:

In this section, we will discuss some aspects of business markets that will help us to make a clear distinction from consumer markets.

1. The business markets deal with few customers than consumer markets. But these few customers generate higher revenue as compared to consumer markets.
2. The business markets are more geographically concentrated than consumer markets. For example, Faisalabad city is more renowned as an industrial city and Daska is more famous for producing surgical instruments.
3. The demand for business markets depends on consumer goods. We can say that derived demand is business demand. For example, due to the need for personal computers, Dell buys Intel microprocessor chips. Intel spends a lot of money on the advertisement regarding personal computers which boosts the sales of Intel microprocessor chips. As a result of this, a win-win situation is created between Intel and their partners.
4. The business markets have stronger buyer and seller dependency on each other as compared to consumer markets. The marketers of B2B often closely interact with the customers to identify customer's specific needs, offer solutions to the problem and gives after sale service support.

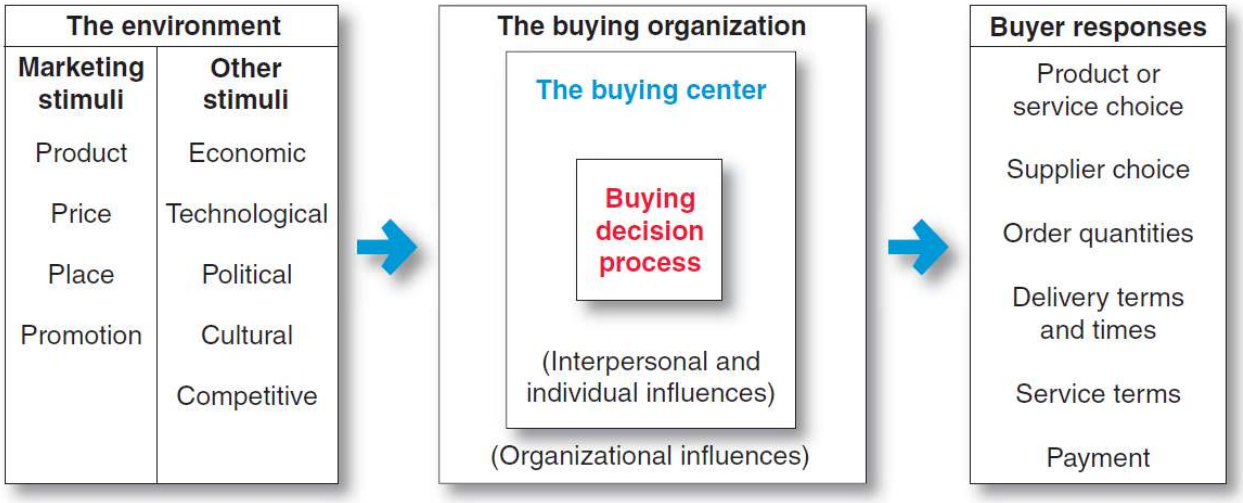
## E. Explanation of Business Buying Process:

Business purchase requires more professionalism and also involves more than one decision participants. Companies offer various training programs to the employees to learn how to purchase effectively. More involvement of participants is required in case of complex purchase decisions. Most of the companies make buying committees which are the blend of top management employees and purchase experts. Now companies are facing a new challenge on the supplier side in the shape of better well-trained supply managers. There is a need to hire professional marketers and sales force managers so that they can handle these well-trained supply managers in a better way. As it is discussed earlier that business buyer faces more complex decisions making as compared to consumer buyers because it involves more complex, technical and economic considerations with massive involvement of money. In addition to this, it also involves multiple interactions of people at a different level of organization. The business buying process is more formalized than consumer buying process because it requires more

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formal documentation, product specifications, and proposal writings and requires formal approval for order placement.

## F. The Model of Business Buyer Behavior:




The marketers are seeking the answer to the questions that how business buyers respond to different marketing stimuli. In the model, different types of stimuli affect the buying organization which leads to generating buyer responses. The stimuli enter in the organization and then converted into buyer responses. The keen responsibility of the marketers is to understand what is going on within the organization to translate stimuli into purchase behavior, it helps marketers to develop sound marketing strategies. Within the organization, the buying activity consists of two parts; first one is the buying center in which different employees involved in decision making and the second one is the buying decision process. The buying decision process and buying center are influenced by internal organizational, individual, interpersonal as well as external environmental factors.

## G. Key Influences on Business Buying Behaviors:

Below are the factors those influence business buyers when they are going to make purchase decisions:

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1. **Environmental Factors:**

The current and expected economic environment has a significant influence on business decision making like product demand, the current condition of the economy and facing a shortage of material supply. As a result of this, many companies save more material in the warehouse to minimize the scarcity of material. Competitive firms, technology and political environment also affect business buying decisions. Culture is also changing business buyers in the global market environment. It is essential for marketers to understand how these factors are influencing the decision making and then accept these challenges and convert them into opportunities.

2. **Organizational Factors:**

As we know that every organization has its vision, mission, policies, practices, procedures and structures. It is the core responsibility of marketers to understand these organizational factors. The core questions which are addressed by the marketers are:

- **i.** How many people involved in the decision?
- **ii.** What are their ranks?
- **iii.** How we do the evaluation?
- **iv.** What are the limits of the organization?

3. **Interpersonal Factors:**

As we know that in the business buying process many people are involved in decision making so, interpersonal factors significantly influence this process. But remember it is difficult to identify the specific group dynamics and interpersonal factors. It is not compulsory that the highest rank officer always make a critical decision. As the participants have a special relationship with others, they control the reward and punishment system and also have particular expertise, so that due to these reasons they significantly influence the decision making process. Therefore, it the core responsibility of the marketers to understand these factors and designs the marketing strategy accordingly.

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4. **Individual Factors:**

Each member has characteristics which are different from other members. Each member has its own goals, performances, and perceptions. The distinct gender, age, personality, job rank and risk-taking abilities can influence business decision making. Everyone has its unique buying style; some individuals are more technical and do an in-depth analysis of supplier products, and some are good negotiators and feel comfortable while negotiating with the supplier.

## H. Significant types of Buying Situation:

Usually, a buyer can face three types of buying situations. One extreme of this situation is straight rebuy involves the routine purchase and another extreme is the new task requires in-depth research. In the middle level modified rebuy exists which requires some research. The detailed description of each buying situation is given below:

1. **Straight Rebuy:**

In this situation, the buyer goes for purchase without any modifications or amendments. This is the routine work in which a list of selected suppliers is available. Due to the historical experience and good satisfaction level the purchaser reorder the regular products.

2. **Modified Rebuy:**

In this situation, the buyer changes the product specifications, terms and conditions, price and even supplier. More participants involved in modified rebuy as compared to straight rebuy. In this situation, already working suppliers feel pressure to perform well to remain in the business while outside suppliers try to capture the market by offering better products.

3. **New Task:**

In this situation, the buyer purchases the product the first time from the supplier. In this case, more people are involved in decision making, more risk and cost involved and more

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research is required. In the new task, the buyer must decide product specifications, service terms, order quality, price, and delivery time and payment conditions.

## I. Participants in the Business Buying Process:

Following are the participants who may be involved in the buying decision process.

### 1. User:

Users are those people in the organization who use the product or service. They are the initial users of the product therefore; they initiate the demand for the product and also help the other participants regarding product specifications.

### 2. Influencers:

Most of the time these are the technical people who influence the purchase decision. They help and guide other members regarding product specifications and also for evaluating alternative options.

### 3. Buyers:

Buyers have the formal authority to place the order and select the terms and conditions for purchase. The central role of the buyer is supplier selection and negotiation. High ranked members of the organization are involved in case of buying complex product.

### 4. Deciders:

These people have the power to select or reject the vendor. Sometimes the power is formal or informal. Buyers in many organizations are also the deciders in routine buying.

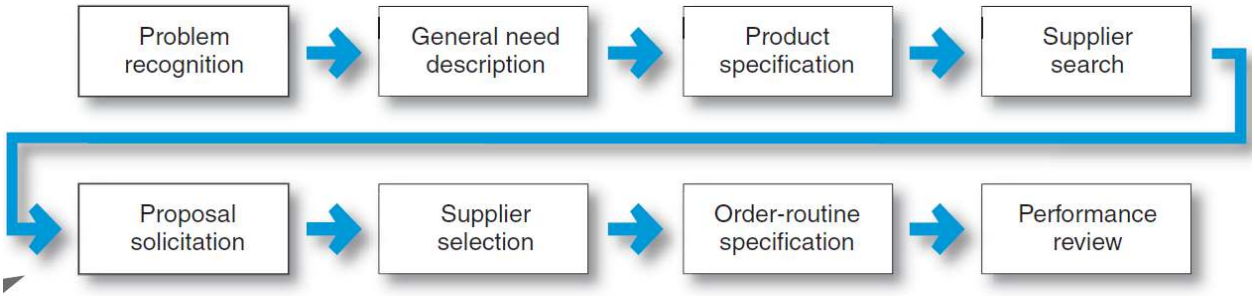
### 5. Gatekeepers:

They control the flow of information within the organizations. They can be technical persons or personal sectaries.

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## J. The Buying Process of Business Buyer:

When the situation of buying is a new task, then the buyer usually performs these eight tasks, but in the case of straight or modified rebuy, the buyer may skip a few steps.




**Flow chart of Business Buying Process**

### 1. Problem Recognition:

In this step, the buyer initially identify a problem or a need and may require a product or service. This can either be a result of internal or external stimuli. If the company wants to launch a new product then the company need new machinery and raw material, this is an example of internal stimuli. In the case of external stimuli the buyer may receive a call from other suppliers who are offering a better product or service.

### 2. General Need Description:

After need identification, the next step is general need description in which the buyer describes the characteristics and requires the quantity of the product. For simple products the buyer faces few problems, and for complex products the buyer consults with other members i.e. Engineers and Users who better define the product.

### 3. Product Specification:

In this step, the buyer describes the technical product specifications with the help of the value analysis team. This team best identify the product characteristic and then write it accordingly.

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4. **Supplier Search:**

In this step, the buyer searches the appropriate supplier. In the process of supplier search, the buyer uses some phone directories, do an internet search and also contact other organizations for guidance. If the product is a costly and complex item then it takes more time to search the supplier.

5. **Proposal Solicitation:**

Only eligible suppliers submit the proposals in this stage. Just in case when the product is complex, the supplier gives additional detailed written proposals or sometimes gives presentations.

6. **Supplier Selection:**

In this step, the buyer read all the proposals and then selects the best supplier. The proposal includes product quality, number of units, delivery conditions and product specifications. The buyers rate these attributes and then choose the best supplier.

7. **Order-Routine Specification:**

Now the buyer finally prepares order routine specifications which include technical specifications, order quantity, warranties, maintenance and repair, etc. In addition to this, the buyer signs the contract with the supplier to maintain the long term relationship and also agrees to resupply the items as per need.

8. **Performance Review:**

In the last stage, the buyer reviews the performance of the supplier and analyzes the satisfaction level of the users. The buyer makes the decision either to discontinue or continue with the supplier based on supplier performance.

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**K. Institutional Markets:**

Institutional markets are based on different types of institutions like schools, railways, airline etc. Most of the institutes provide goods and services to the people in their care. These are huge markets and each institute has its own needs and requirements. Many of them have a low budget and captive patrons. For example, in hospitals limited eating options are available and you have to eat only those items which are currently available. So, the purchasing agent of hospital searches those vendors who give good quality food at nominal cost.

**L. Government Markets:**

In many countries, government is the primary buyer and supplier of different items. The government provides large or small opportunities to the other companies. When the government is involved in buying then it usually goes for the bidding process and gives the order to low price bidder. Government buyers are also affected by outside environmental factors, interpersonal and organizational factors as well.

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## GENERALLY ASKED QUESTIONS

**Question 1: What is the difference between institutional markets and government markets?**

**Answer:** Organizations that provide goods and services to people in their care are generally known as institutional markets. Schools, colleges, hospitals, nursing home, prisons are some of the examples of institutional markets. Whereas, government markets include those government owned units that purchase or rent goods and services for carrying out the main functions of government. Government markets offer remarkable opportunities for small and large scale companies/buyers. Government organizations usually require suppliers to submit bids, and they give contract to the lowest cost effective bidder.

**Question 2: What is the difference between institutional buyer and government buyer? There are government hospitals and government schools, whether they are institutional buyers or government buyers and whether the private institutions also fall under the definition of institutional buyer?**

**Answer:** Institutional buyer is a broader term. Governmental and non-governmental organizations are institutional buyers**.** Government and Private are the status of institutions. For example, Punjab Text Board is a Government institution. Similarly, Agha Khan University is a Private educational institution.

**Question 3: How do the companies set the prices of the products and how do they give hefty discounts during promotion periods; are they still at profit then?**

**Answer:** When companies set prices there are many factors behind it like production cost, target market, buying power etc. Similarly when companies offer promotions or discounts, firstly they set objectives that how much of their product volume is going to be sold during promotion period and to what extent they can be at profit while promoting their promotion. Sometime companies earn huge profit due to selling of large volume because they do production in bulk and they are still earn profit in discount period.

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**Question 4: Is there a good career for Students in marketing?**

**Answer:** Present research shows that Employment of marketing managers is projected to grow 7 percent from 2019 to 2029, faster than the average for all occupations, so career in marketing is always attractive.

**Question 5: Low price and large quantity are the main characteristics of the institutional and government market but it is also very common in large business units. Why is the low price being attractive for everyone?**

**Answer:** Yes, low price is always attractive for everyone because it results in apparent cost savings.

**Question 6: Define the term Gatekeeper as a participant in the business buying process.**

**Answer:** They control the flow of information within the company; they can be sitting at different levels in an organization. Buyers who deal directly with a vendor are gatekeepers.

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## Theme # 7: Customer Driven Marketing Strategy

Companies must address two questions in order to implement a customer-driven communication strategy:

1. Which consumers can we serve?

2. How can we provide service to them?

To answer the above queries, there are four foundations of organizational strategies.

Select customers to serve

1. Segmentation
2. Targeting

Decide owner value proposition

3. Differentiation
4. Positioning

Segmentation refers to subdividing the market and grouping it according to needs. In order to properly market to each user in a market where user needs are diversifying, it is important to subdivide the market according to specific attributes such as place of residence, birthplace, age, gender, and hobbies. We should consider the following variables for segmentation.

**Geographic variables:**

Geographic variables are variables that are used for segmentation by geographic elements. It is effective when dealing with foods, clothing, home appliances, and other items that are likely to make a difference in sales depending on the climate and lifestyle. For example;

1. Regions of the world (Asia, North America, Europe, Middle East, etc.)

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2. Climate (rainfall, snow cover, temperature, humidity, etc.)
3. Population density (more people in urban areas, less people in the suburbs, etc.)

**Demographic variables:**

Demographic variables are variables used to classify consumers by objective attributes. It is the most commonly used variable because it has strong ties to customer needs and is easy to measure. For example;

1. Age (20's, 30-40's, 50-60's, 70's and beyond)
2. Gender (male, female, etc.)
3. Occupation (service industry, manufacturing industry, IT system, office work, programmer, marketer, etc.)
4. Income (less than 3 million rupees, 3 million to less than 4 million rupees, 4 million to less than 5 million rupees, 5 million to less than 10 million rupees, etc.)
5. Academic background (junior high school, high school, junior college, university, graduate school, vocational school, etc.)
6. Family composition (single, married, having children, age of children, etc.)
7. Household size (1, 2, 3 or more, etc.)

**Psychological variables:**

Psychographic variables are variables used when segmenting based on personality, values, lifestyle, etc. It has been said that it is qualitative and difficult to narrow down the target, but the accuracy has improved considerably due to the spread of the Internet. For example;

1. Lifestyle and values (emphasis on brand image, preference for organic products, etc.)
2. Personality (sociable, introverted, nervous, ambitious, etc.)
3. Social class (upper, middle, upper-middle, lower-middle, lower, etc.)

**Behavior variables:**

Behavioral variables are variables used when segmenting by behavioral patterns, knowledge, reactions, etc. For example;

1. Usage (use every day, use in morning and evening, use on weekends, use in specific seasons, etc.)
2. Presence or absence of knowledge (repeat knows the product well, is interested but not familiar with it, does not recognize it at all, etc.)

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3. Frequency of use (light users, heavy users, middle users, etc.)

Both of the aforementioned categories are for segmenting the consumer industry; but, if a firm wish to segment the business market, specific variables such as client operational characteristics, buying methods, situational considerations, and personal characteristics should be considered. For better segmentation of the foreign sector, an organization can understand geographical area, economic factors, political factors, and cultural factors.

**Requirements for effective segmentation:**

Following are some requirements for effective segmentation:

1- **Measurable:** The segment size, its profiles, and purchasing power can be quantified but a few variables in segmentation are difficult to measure. For example, there are a huge number of left-handed people in America which is approximately equal to the population of Canada. But still, only a few products are designed for this segment.
2- **Accessible:** A market segment where a marketer can reach and serve them effectively. For example, targeting a group of people where we can reach and does not have any geographical, political, cultural and legal barriers.
3- **Substantial:** A market segment should be large and profitable enough to determine whether a segment has the potential to recover investment or not. For example, designing a special car for people who have a height of more than 8 feet.
**4- Differentiable:** The need of people in a segment should be similar within the segment and distinguish from the need of people of other segments. If a single and married man responds similarly to the sale of shirts, they are not part of separate segments.

**5- Actionable:** You have to be able to provide products or services to your segments. For example, a company spent a lot of money and time identifying a segment and they find out that they are unable to find customers for their product in that specific segment.

**Market Targeting and Target Market**

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

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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.

The principles of market segmentation in international marketing have their own characteristics. Depending on the object of analysis in international marketing, the following types of segmentation are distinguished:

1. Division of markets by country or region;
2. Distribution of consumers of one country (region) according to more detailed features (criteria).

The task of segmentation of international markets is closely related to the study of the attractiveness of markets in terms of international marketing activities. The selection of markets is made, in particular, based on the selection of the most promising segments for product promotion. Even between geographically close countries, there can be serious differences in the level of economic development, the peculiarities of the political system and culture, so international companies have to face the challenge of dividing the world market into segments. Companies can segment international markets based on one or more criteria. Countries can be segmented geographically by grouping them by region: for example, Western Europe, Pacific, Middle East, and Africa. Once the key markets have been selected, the company needs to segment them at the country level in order to identify the most promising consumer segments.

Market segmentation is more difficult in the "B2B" business area than in the "B2C" customer field since you do not apply the criteria to a large target group across the board but rather respond to the individual wishes of your business customers. Your offer must meet the right “B2B” target groups. Think about which companies you would like to address. Which industry is your offer suitable for? Are there common characteristics such as company size, sufficient liquid funds, legal form, sales volume, market share and number of employees? The more similarities the desired customers have in common with your company, the more likely it is that your offer will meet with interest. Think about whether you want to narrow down your geographic area or whether you want to expand your market. Some products depend on geographical locations. Economic characteristics

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such as sufficient liquid funds, purchasing behavior and the season (e.g., parasols) also play a role. The psychogenic characteristics include the cost-benefit ratio for your target customers. Can you convince them of your offer and what is the general attitude of the industry towards your offer?

After you have answered these questions and divided your target group into socio-demographic, economic, and psychographic characteristics, the last step is the need for information and search motivation. You are dependent on the decision-makers. What wishes, needs, problems and experiences do the responsible decision-makers have? Have you had good or bad experiences with your offer or that of a competitor? Do the responsible people know your company and offer, and are they interesting enough to do your own research? Ideally, your offer generates wishes and convinces your target group. Your content has to build sympathy points and establish expert status.

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.

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**Product Positioning:** 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 (A company may differentiate itself from its competitors by image)

Differences must be:

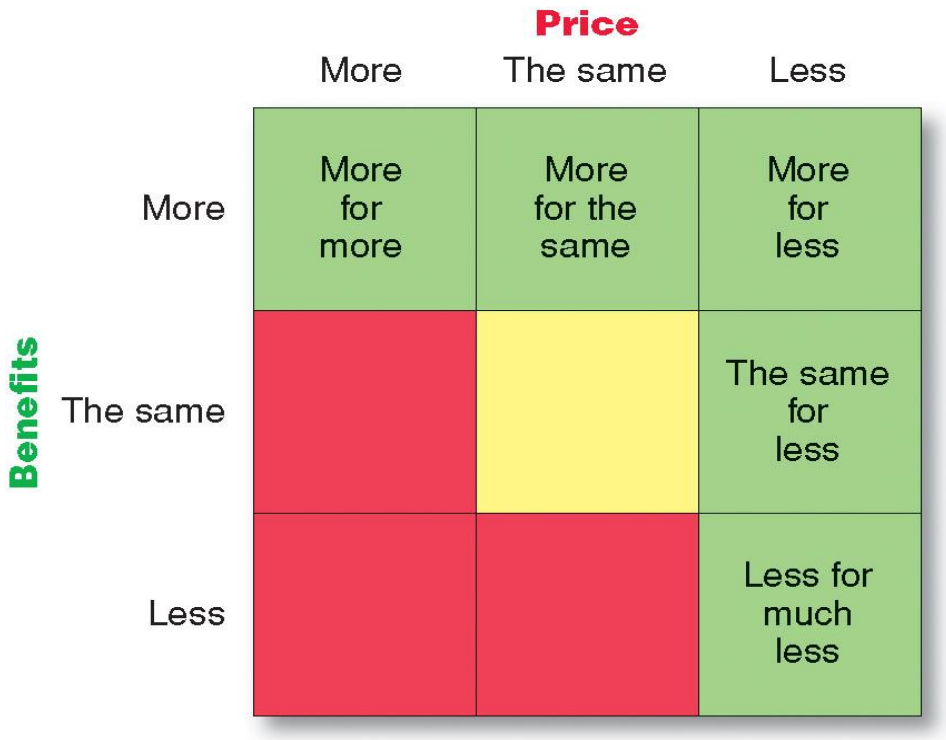
1- Important (valuable for customer)
2- Distinctive (clearly differentiate with competitor)
3- Superior (higher in rank, status, or quality.)
4- Communicable (differentiate product offering)
5- Preemptive (offering before your competitors)
6- Affordable (targeted customer will be able to buy the differentiated product.)
7- Profitable (can generate revenue or good return on investment.)

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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**Options to decide value proposition:**




**More for More:** Price and quality (benefits) are more than competitors.

**More for the same:** More benefits and same price than competitors.

**More for the less:** More benefits and less price than competitors (Example, China product market)

**The same for the less:** Same benefits and less price than competitors.

**Less for much less:** Less benefits and less price as compare to competitors.

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## GENERALLY ASKED QUESTIONS

**Question 1: On what basis will we differentiate our customers?**

**Answer:** Treating each customer who shows an interest in your products or business as an individual, with distinct differences from others, is the best way to create more long-term customers; marketers differentiate the customers on their lifestyle, income status, and neighborhood.

**Question 2: What is the difference between psychographic and geographic segmentation?**

**Answer:** In the Geographic segmentation, the market is segmented on the basis of the consumer's location, size of city and population density. For example, a company manufacturing the climbing equipment will most probably open its outlet in the mountain regions.
In Psychographic segmentation, the market is segmented on the basis of consumer's life style, activities, values, and interests. For example, high-tech and luxurious mobile manufacturing companies launch different mobiles on the basis of customer's psychographic.

**Question 3: Elaborate segment structural attractiveness?**

**Answer:** With the segment size and growth, structural attractiveness plays a key role in market targeting. A segment is less attractive if it already contains many strong and aggressive competitors. The existence of any actual or potential substitute products may limit prices and the profits that can be earned in a segment. In order to assess each segment's attractiveness, key factors that you must keep in mind should include market growth, market competitiveness, and market access.

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**Question 4: What is odd/even pricing?**

Answer: Odd/even pricing is a psychological pricing technique in which numeric value is used to influence the customer's perceptions of the product value. The "odd" part of this technique tends to a price ending in Rs.90.99/-. The "even" part tends to a price ending in a whole number in tenths, such as Rs.50/- or Rs.100/-.

**Question 5: How to define Value Proposition?**

**Answer:** Value proposition refers to the value a firm promises to deliver to its customers.

**Question 6: What is niche marketing?**

**Answer:** Niche marketing refers to a segment of a general market with specific needs and the company carefully identifies those unique needs of potential customers, and tailors their products and services accordingly. For example, a company that makes cars for the handicapped targets a specific group of people. Niche marketing is also called concentrated marketing.

**Question 7: What is actionable segmentation?**

**Answer:** Actionable is one of the five key characteristics of a good segment. It means, the segment should be actionable in the sense that marketer can measure the potential value of a segment. Data from that segment should be quantified and on the basis of that data decisions can be made regarding the product.

**Question 8: What is the difference between User status and usage rate?**

**Answer:** This question is related to market segmentation in which marketer divides the consumers on the basis of user Status and usage Rate. User status means; ex user, potential user or first time user of product. Whereas in usage rate market divides the buyer into light user, medium user or heavy users of a product.

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**Technical Articles – MGT301**

## Theme # 8: Product, Brands & Services

A Product is anything that could be offered to customers in a market for consumption to satisfy their 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.

A marketer must think about the core problem that he should resolve for his customers. 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 next level of a product is **the actual product**. The core value that has been identified in the first level, the marketer should add quality, brand name, design, and features to that core value to make it an actual product. The third level of the product is augmented product in which we provide additional benefits like customer service, after-sale service, warranty, and delivery, etc. It is built around the actual product and the core customer value.

There are two types of products. One is a consumer product and the second one is an 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 Shopping, Convenience, Specialty, and Unsought products. Convenience products are those consumer products and services that are inexpensive and less effort require to buy them. Also, customers buy these products frequently. Usually, customers buy these products with the least comparison. For example, coffee, soft drinks, and meat, etc. Shopping products are those consumer products and services that require comparison based on different factors like quality, design, price, and stability, etc. For example, bikes, cars,

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and electronic gadgets, etc. Specialty products are those consumer products and services that require a special effort to purchase by a significant group of buyers based on brand name and unique characteristic of the product. For example, sports cars, high-quality photography equipment, and famous designer's luxury collection, etc. The fourth type of consumer product is Unsought products. These are the products that a customer usually does not think of buy or does not want to buy or has no knowledge about the product and its buying process. For example, health/life insurance, funeral services, and blood donations, etc.

As we have discussed above that the products which are used by the company for business consumption are known as industrial products. These products are further classified into:

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

The Capital items are those industrial products that help in the production or operations. For example, production plant and equipment, etc. Materials and parts are those industrial items that include raw materials and manufactured materials usually sold directly to industrial users likewise stainless steel in surgical instruments, etc. Supplies and services are those industrial items include business services, operating supplies, maintenance and repair items, likewise oil or diesel required for the 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 is based on all of the activities performed to create, maintain, or change the targeted customer behavior 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 is based on all the activities performed to create, maintain, or change the targeted customer behavior toward particular people. Likewise, political parties use personal marketing to promote their political leaders. The third one is place marketing which is based on all of the activities performed to create, maintain, or change targeted customer behavior toward particular places. Countries use place marketing to promote tourism in

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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 is based on the use of commercial marketing strategies and tools to design programs that influence individuals' behavior to improve their well-being and 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 that are related to some characteristics of a product. These five types of decisions are as follow:
Attributes: Includes some benefits of products including quality, design, and, features, etc.
Packaging: Includes designing and production of wrapper or container of a product.
Labeling: Relates to the identification of brand, and product promotion.
Branding: Includes name, sign, logo, USP, and design that make customers able to identify a specific brand.

Support Services: Deals with warranties, after-sale services, and customer query handling.

Usually, organizations do not produce a 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 the same nature of products but different in functionality likewise some organizations produce two-wheelers, trucks, cars, SUVs, and busses. So, you can product line is a group of products that are sold to similar customer groups, function in a similar manner because they are related, are marketed through the same franchises, or fall within specific price ranges. For example, Suzuki has one product line of two-wheelers, a second product line for

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cars, and third product line for SUV's and so on. Product line decisions include product length. It indicates that how many products are in a product line.

Line stretching is another concept of product line decision in which a company adopts an expansion strategy by launching a new product in the same product line with some different and additional 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 a company fulfills the market gap and tries to reduce competition by increasing the numbers of products in an existing product line. Many businesses use this to increase the market success of new products and fill out already established products.

The next decisions that a marketer has to take are product mix decisions. They consist of all the products offered for sale. There are four concepts about product mix, which are as follows: **Width** is the number of various product lines carries by a company. **Length** is the sum of all the items in a product line of a company. **Depth** is all the types of offered products in the line. **Consistency** is closely related to the different **product** lines.

The brand represents the consumer's views and feelings about a product and its functionality. So, you can say that it is all about delivering a specific set of features, advantages, services, and good customer experiences continuously to the buyers. It helps to identify and recall the brand. The process of brand-building consists of name selection, positioning, sponsorship, and development of the brand. The process of 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 defined as the image which a brand has in the minds of its customers and how customer distinguished a brand's product from the products of the competitors. Marketers can position brands at any of three levels which are beliefs, benefits, attributes, and values. The second important thing is to select the brand name. A brand name must be easy to pronounce, suggest its benefits and qualities, easy to remember, extendable, distinctive, translatable globally, capable of registration and must have legal protection.

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Brand sponsorship means that if you want to expand your business or want to get support from another brand. When a brand supports an activity, event, and organization or person for some mutual benefits it is known as brand sponsorship marketing. Four concepts are important in sponsorship. 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 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 licensed 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 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. A company has four choices while developing a brand. Those choices include line extensions, brand extensions, multi-brand, or new brands**.** An extension in which a brand adds new sizes, colors, forms, flavors of an existing product category under the existing brand name known as **Line extension**. When a brand introduces a new product category within an existing brand name it is known as **Brand extension.** When a brand markets different brands in a given product category it is known as **Multi-brands**. For example, Unilever and P&G (Procter & Gamble). A new brand means entering a business with a new brand name and new product category.

As we have discussed, a product is something that is tangible, affordable, and available for consumption and can satisfy the need or wants of the customer. With tangible products, an intangible product comes and we call them services. Service is an intangible and invisible product that results in value/benefit and has value in exchange. Such as transportation, health, education, etc. There are four characteristics of services which are inseparability, intangibility, variability, and perishability. Employee satisfaction, customer loyalty, and profitability are linked together to form a theory of business management which is known as the service-profit chain. The service-profit chain enables relationships between employee delight/satisfaction, customer loyalty, profitability, and productivity. It is elaborated as the profitability and growth are linked with customer loyalty. Loyalty depends on customer satisfaction level and satisfaction depends on the

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services provided. So, it is depending on the services provided or the value provided to the customer. Value is always created by productive, loyal and satisfied employees. High-quality after-sale services, support services, and policies enable employees to deliver the best results to customers.

All the relationships that exist between the company, the employees and the customers are highlighted in the services marketing triangle. There are three important types of services marketing according to the triangle. The first one is internal marketing and it is the marketing between the company and employees. In internal marketing, the company presents its idea to the employees and convinces them. The purpose of internal marketing to teach all employees about the products of the company and increase employee engagement with the goals of the company. The second one is an interactive marketing and it is the marketing between employees and customers. A one-to-one marketing practice that refers to an individual customer and prospect's actions. When marketers react to customer actions and try to meet the customer demands and expectations it is known as Interactive marketing. The third one is external marketing and it is the result of interactive marketing; the external marketing occurs and it is for customers or prospective customers as external marketing goes from a business organization to outside. The purpose of external marketing is to fill the business pipeline with future business.

A product has central value in an 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 the generation of an idea then idea screening, concept development, and testing, development of marketing strategy, business analysis, development of the product, 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? The reasons for failure include poor design, wrong timing, overestimation of market size, incorrect positioning, price too high, ineffective promotion management, competition, and high development costs. Products develop but they also grow old. Products have their life cycle. It starts with product development then the

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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.

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## GENERALLY ASKED QUESTIONS

**Question 1: There are some customers who are not satisfied and always angry. Can we ask them directly not to use our product/service if they are not satisfied just to avoid interaction from them so they may not speak in front of other customers?**

**Answer:** It is not a good approach as it will spread more negative word of mouth because when these customers talk to others they will mislead other customers too. Therefore, such customers should be dealt with care by asking them the reasons of not satisfied with the services, and the service providers should take steps to minimize their issues. In this way you can win the hearts of customers.

**Question 2: What is concept of consistency in the product mix decision?**

**Answer:** The consistency of the product mix decision indicates exactly how consistently the company is taking decisions regarding adding a new or removing any prevailing product from the product mix, adding a new product line, expansion in any existing line, or taking new alternatives of a brand to expand the business and to increase the profitability.

**Question 3: Can an idea be termed as product?**

**Answer:** From the definition of product mentioned in the videos, it is evident that 'anything' that can be offered is called product. Therefore, we can say that any idea that is given in the market for the satisfaction of customers can be termed as product. It is possible that, that idea might not be acceptable by the general public. That particular idea may also be in the form of any type of product or service.

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## Theme # 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?** As we know that product is a value that any organization offers to the customers or market. But we also know that marketing is not dealing with one way flow of marketing but it also deals with exchange of values. It is a two way reciprocal flow of values. So we can say that price is the value in which any organization offers its product to the market. Thus price is the second most important "P" of marketing mix. As after product we have to think about price of the product or price of the market offering. There are two definitions of price i.e.

1. Price is actually the amount of money charged for a product or service. Now if we see from customer's side "Price is the value a customer is ready to accept the product for".
2. Price is the total of all values (time and efforts) that customers give up in order to attain the benefits of having or using a product or service.
3. Price is the only component of marketing mix that generates profit; all further components (Product, Place/Distribution, and Promotion) represents cost.

**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.

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

We can understand price ceiling and price floor through below diagram. In the below diagram price ceiling is on left side and price floor is on right side. Price ceiling represents the customer perceptions value that a customer give how much or maximum value of a product and after that he/she cannot demand that particular product. Price floor represents the product cost. It is the point at which an organization accomplish the cost of its factor of production. And if an organization sell the product below it, means it sells on loss and no one can survive for a long time at that point. The box in the center of the diagram determine the internal and external factors that an organization can considered in pricing process.




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:** Which market segment an organization serve, which value proposition choose (more for more, more for same, more for the same, more for the less) to beat the competition. And also see that organization positioned itself on which basis.

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2. **Type of Demand:** What is the type of demand of the product of an organization? i.e. Price elasticity of the demand. The product lies in more elasticity of the demand or less elasticity of the demand. Price elasticity of demand tells us the sensitivity of the product to the change of the price. If less change in price and more change in demand then it is called more elastic products. Increase in price of the product give the set back to the organization if the product falls in more elastic products such as comforts, luxury or in a category in which a consumer can postponed to purchase it due to price fluctuations. And decrease in the price of such products can increase the demand and organization can earn more profit. The products that are less sensitive due to change of price are called less elastic products. There is no such change in demand due to decrease of price and increase in price have no huge change in demand if a product falls in less elastic products such as gasoline station, gas cylinders, bread and daily used items (necessities).

3. **Type of Market:** There are different type of markets i.e. Monopoly (one seller), Duopoly (two sellers), Oligopoly (more than two sellers but less than 10-12), Monopolistic competition (many sellers but maintains there distinct position), Perfect Competition (large numbers of sellers and large numbers of buyers). In monopoly firm is the price maker and decide at which price to sale the product. In perfect competition firms are price taker. No single force determine the price of the product. Market forces decide it and all firms adopt it. In duopoly, oligopoly and monopolistic competition firms may price maker or price taker. There is a need to see at which type of market you lies so that you can set the price of product accordingly.

4. **Economic Conditions:** It has been already discussed in external environment and consumer behavior. There are different indicators from which we assume the overall situation of a country. Economic conditions are affected by the costing of an organization and purchasing power of the customer. There are different indicators from which we assume the affordability of the people i.e. GDP growth rate, Per capita income, Inflation rate, type of inflation, balance of trade and exchange rate.

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5. **Government:** what is the political system of the country? It is centrally planned economy or free market economy. Then the political stability plays very important role. If there is a political stability in any country then there is overall stability. Generally the prices of the products do not fluctuate.)

6. **Social Concerns:** There are many concerns and segments that needs special attention i.e. senior citizens, overall society concerns about price fluctuation. In some cases due to the pricing of the product people dislike your product. They think organization exploit them.

**Pricing Methods:**

In pricing method we see the structuring of the pricing i.e. formula and bases from which we consider the base price of the product.

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. In this method firstly we determine the value after that produce the product and then set the price of that product. We assigned the value of customer for pricing rather than the costing of the product.

2. **Cost Based Pricing** refers to setting the price based on the cost incurred for producing, distributing and selling the product plus a rational rate of return for effort & risk. Cost based pricing methods is similar to selling concept. In this method firstly we produce the product and then offer that product into the market. There is a chance that customers may refuse to buy the product on that offered value/price.

3. **Competition Based Pricing:** It is widely used structure/pricing method because it is very easy. We adopt the pricing structure that is used by our competitors. Price setting is based

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on competitors' strategies, prices, market offerings and costs. Fruits, vegetables and grocery markets etc. used competition based pricing. In base they use cost base pricing but the new entrant used competition based pricing.

**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. It is not only beneficial for the customers but also for the firm.
2. **Everyday low Pricing:** It is the pricing approach in which organizations or stores claim that their prices are lowest in the market and they are offering you everyday low pricing. This approach is attracted by the budgeted segments.
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:**

Pricing strategies defines the principles that guide your pricing decisions. 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

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**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:** Skimming pricing is one of the pricing strategies that involves charging a high price at the launch of the product for a short period of time. The product or service might be an innovation, a high end product or a differentiated product. The aim of such strategy is to obtain maximum revenues before any competitor product enters the market or in the case of an innovative product the company wants to recover its high costs of research and development which it incurred while developing it. Yet another purpose of this strategy might be to "skim off" customers to who are willing to pay more for an innovative or a high end product. Still another goal might be to communicate image of a superior product through high price.

**1.2. Market Penetration Pricing:** A marketing strategy in which a relatively low initial entry price is charged to attract new customers or to make the customers switch to the new product because of the lower price. The objective is to maximize market share or sales volume.

**2. Product Mix Pricing Strategies:**

There are five strategies that come under this strategy.

**2.1. Product Line Pricing:** It is a procedure used by retailers for separating goods into cost categories to create quality levels in the minds of customers. It typically contains placing appropriate price gaps between categories to inform prospective buyers about quality differences such as soap, shampoo, detergents etc.

**2.2. Optional Product Pricing:** It is a technique of determining the cost of the product in which a firm sets low cost for its basic products and gain profit from selling expensive accessories. Such as, cost of accessories like AC adopters and printer ink cartridges is extensive.

**2.3. Captive Product Pricing:** It refers to the pricing of the products such as computer software, camera film, razor blades, parts of machines etc. that are not used without a basic

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product. Pricing of the captive product is often based on product mix pricing strategy where firm will set a low price on the basic product with a high margin of profit on the captive product.

**2.4. By-product Pricing:** Refers to the products by slight or not any value manufactured as a result of the main product. Manufacturers will gain little or no profit other than the cost to get storage and delivery.

**2.5. Product Bundle Pricing** combines several products at a reduced price. In this strategy customers think that they get the high value in less price on the other side producer thinks that the slow selling products are also sold that are not sold individually.

**3. Price Adjustment Strategies:**

Price adjustment refers to adjust the prices of the product according to the different situations and changes that occurs in the market. There are seven types of price adjustment strategies i.e.

**3.1. Discount and allowance pricing:** to give reduction on the list price to the customers and allowances to the trade partners to increase the sale of the product.

**3.2. Segmented Pricing:** It is also called price discrimination in economics. In this strategy a company sells its product at two or more prices, where the differences in price are not based on differences in cost. For example in train there are different prices for different segments. Concessional tickets are given to the senior citizen, students.

**3.3. Psychological Pricing:** It is the practice of setting prices slightly lower than round numbers, for example Rs. 99.99 instead of at Rs. 100 will result in customers trusting that they are receiving a savings, and even if that savings is only one rupee, customers might feel more confident about making a purchase.

**3.4 Promotional Pricing:** to boost the sale of the product companies offers promotion on different events such as 14$^{th}$ August, 23$^{rd}$ Mach, Eid, Christmas etc.

**3.5. Geographic Pricing:** One product has charged different prices on the bases of geographical distance or level of development of geographical area.

**3.6. Dynamic Pricing:** prices of products are not fixed it can varies or flexible on event basis or daily basis.

**3.7. International Pricing:** The international pricing is a pricing strategy in which the stability in the product price resulting from international business. There are many variable factors that

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influence international pricing i.e. economic conditions, currency exchange rates, production expenses etc.

**4. Price Changes:**

We not only do the adjustments in the price of the product but also do price change in the life of the product. There are two types in price changes i.e.

**4.1. Price Cuts**

- **Excess capacity:** When vast production capacity and more stock of the product available then there is a need to cut the price.
- **Increased market share:** If there is a need to increase the market share then company cut the prices to penetrate in the market.

**4.2.Price Increases**

- **Cost inflation:** If the price of raw material increase in the country or increase the import duty due to exchange rate on the raw material then company increase the prices of the product.
- **Increased demand:** Due to increase in demand company can increase the prices of the product.
- **Lack of supply:** When demand increase and it is not possible for the organization to increase the supply then it can increase the price of the product.

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## GENERALLY ASKED QUESTIONS

**Question 1: What is the difference between centrally planned economy and free market?**

**Answer:** A Centrally planned economy is also called a command economy, it is an economic system in which the government makes economic decisions regarding the manufacturing and the distribution of products. Whereas, the free market is an economic system based on supply and demand with little or no government control. Since, there is no intervention of the government in the free market economy therefore companies sell goods at the highest price that customers can likely and willingly pay. In a free market economy the workers usually earn the highest wages that companies are willing to pay against their services.

**Question 2: What is the difference between price and costs?**

**Answer:** Cost is the total amount incurred for making a product that is sold by a company; for example amount spent on raw material, labor, utilities etc. Price is the amount on which a product is sold in the market or it is also known as the amount on which a customer is willing to pay for a product or service.

**Question 3: What is service variability?**

**Answer:** Service variability is the change in the quality of the same service provided by different service providers. It varies from company to company and person to person. The change varies because of the nature of the service, according to the person who provides when it is provided and the method of delivery of the service. For example, the telecom industry. The call or internet packages vary from company to company. You can say teachers are also an example of it because the way of delivering the lecture varies from teacher to teacher.

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**Question 4: What is the difference between line stretching and line filling?**

**Answer:** Line filling means adding more items within the existing range. For example, Colgate Herbal is an example of line filling. Herbal is a line filling in already existing Colgate Toothpaste. Line stretching means lengthening the product line beyond the current range. There are mainly three ways to stretch product lines:

1. Downward product line stretching: In downward line stretching, if a company is offering a premium brand and wants to target middle/low-income consumers, it will go downward to offer an economical product. For example, Samsung's Note and Edge are premium level products but it's a series targeting the middle-income consumer.
2. Upward product line stretching: In upward, a company offers a premium level product to stretch its product line.
3. Two-way product line: In a two-way product line, a company offers both lower and premium level products.

**Question 5: What is the factor affecting pricing i.e. "SOCIAL CONCERNS" and how it provide special attention to specific class?**

**Answer:** When we talk about social concerns this means organization should take the pricing decision keeping in mind the social well-being of the whole society, for example, pricing of necessary food items or lifesaving medicines should be such that the entire society can afford and get benefit from it. Sometimes different customer segments pay different prices for the same product or service. Such as museums, movie theaters, and theme parks may charge lower prices for students and senior citizens and this happens just to fulfill the social concerns of the marginal class.

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**Technical Articles – MGT301**

## Theme # 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.

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Personal selling is one of the oldest and most effective salespeople's strategies when convincing customers to buy a product. Since time immemorial, personal selling has been one of the great approach and promotion strategies. It is a powerful tool that allows you to get immediate feedback from the customer and that also has the highest percentage in the closing of sales. With this strategy, the salesperson not only informs from a personalized approach about the product or service offered by the company and how it can satisfy the individual needs of each client. Personal selling is a unique opportunity in which, in addition to a more humane approach, it is possible to demonstrate the benefits of the product. In addition, the customer has the opportunity to ask questions, and the salesperson takes care of any concerns they have about the product.

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

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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.

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The rational message uses rational arguments and concepts about the characteristics of the products or services offered, positioning in the consumer's mind as the one that will best satisfy their needs. The emotional message is just the opposite, it appeals to our feelings, to something ethereal that is not seen directly, but that is there. Something that the brand seeks to awaken so that it is the consumer who decides for himself, establishing a powerful bond through the deepest feelings. The moral message is that which is issued in accordance with legal provisions, that which indicates the verifiable properties of the products or services, and that which preserves integrity. The message offered on a product or service must have real characteristics; it must be truthful and verifiable. A moral message cannot offer misleading concepts.

**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.

Responsible marketing is one that collects and exposes the impacts or changes that organizations generate in society, influences the strategy of organizations, and foundations incorporating social responsibility values that provoke an improvement in the perception of the brand in all the actors in the environment of the same. Organizations do not function in isolation from the rest of society; on the contrary, they constantly interact with it. Therefore, they must develop actions that show an organization involved in the environment that surrounds it as part of society. A responsible marketing strategy can guide organizations' actions towards citizens, giving them a role beyond their natural figure of customers or users. Responsible marketing must have a clear definition with a very well-defined objective. It is essential to know how to identify the basic needs that we will try to cover with our brand approach, knowing perfectly the target audience on which we will base our actions—knowing how to differentiate the merely functional characteristics of the product or service from the true benefit that responsible marketing can bring to any brand, regardless of its size or reason for being. Valuing responsible marketing, a company will talk to its audience about its social and environmental initiatives, integrating these into its marketing plan to improve the brand image and attract customers and users of its products or services. That an organization is socially responsible means that it cares about people

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and the environment in which it conducts its business. It is important to ensure compliance with this policy by all its members and know how to communicate these values that define the company. The transformation of these values into something tangible is a key point; making the social tangible is complex, and we will only achieve it through actions that we can measure. Organizations with socially responsible tendencies can build a strong reputation that leads to increased stakeholder loyalty.

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.

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- 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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## GENERALLY ASKED QUESTIONS

**Question 1: Which is the most important element of a marketing mix?**

**Answer:** The product is the most important element of a marketing mix. Developing a total marketing mix program involves the marketing manager deployment her/himself with four p's of the marketing mix, i.e., product, price, place and promotion. The product development to be the first of these tools. Without a product, there is no question of a marketing mix. The whole plan is based on the product.

**Question 2: How we increase or promote content marketing?**

**Answer:** Content Marketing is one of the most active ways to achieve your marketing goals. It includes things like educational articles, e-books, videos, entertainment, and webinars that answer specific questions which people have asked and provide them with something they can't get elsewhere. Content marketing is as profitable strategy as paid search advertising or paid social marketing. There are so many ways to improve content marketing but for this, you need to read the details for your understanding.

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**Technical Articles – MGT301**

## Theme # 11: Place/Distribution

### Significance of Placement:

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. In order to improve the performance of the whole system all the intermediaries constitute the Value Delivery Network partnering among themselves. Every one of us visit retail stores around us to purchase different products which are made available by the retailers so that customer may have the easy access to them. This activity is to ensure the availability of the product to the designated target markets.

### Partners in Value Systems:

Value delivery network includes various stages of product manufacturing including raw materials' processing and finished goods to the delivery to potential customers. These partners may be either the suppliers or distributers which serve the common purpose of delivering value to the ultimate customers.

### Value Delivery Network:

A network of suppliers, distributers and customer which partner each other at various stages to ensure the delivery of final products to customers is called Value delivery network. There are two streams in value delivery network:

- Upstream partners
- Downstream partners

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**Upstream Partners:**

The raw material suppliers, parts suppliers, and information and expertise providers for the effective manufacturing of the product are referred to as upstream partners. The upstream partners are associated with the supply side of the value delivery network.

**Downstream partners:**

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. The downstream aspect of the value network is more towards the distribution side towards the customers.

**Intermediaries:**

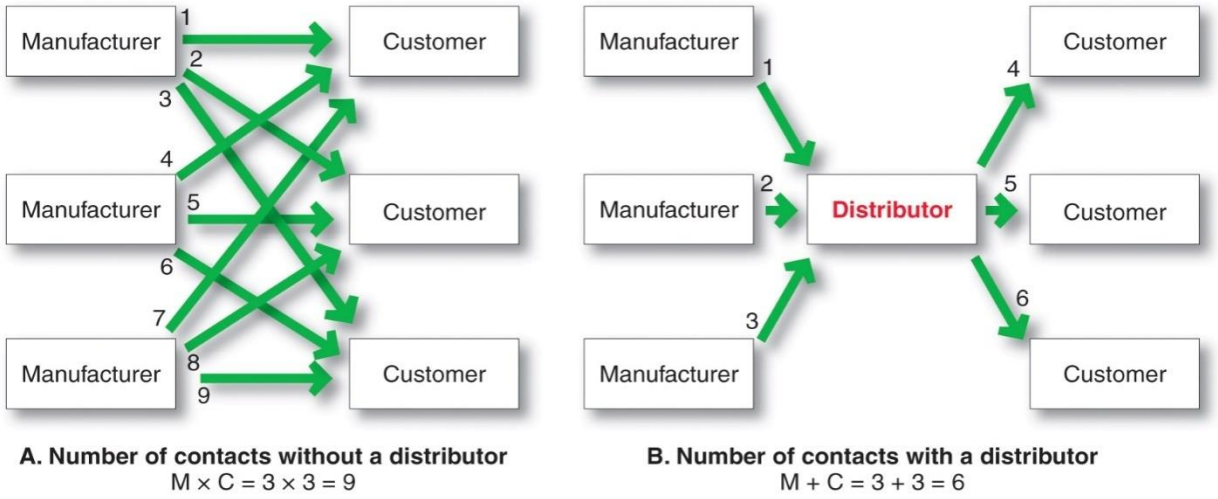
Intermediaries are the agents who offers the manufacturers their expertise in delivering the products to the target markets. This expertise arises from their experience, contacts, specialization, and scale of operations. They offer the value to the producers which they cannot achieve independently. From an economic point o view, intermediaries convert the mere assortments of products to what the customer wants. Producers only produce the products for customers but intermediaries are responsible to match these product with the wants of customers.

Secondly, intermediaries are responsible for bridging the time, place and possession gaps that distinct goods and services from those using them.

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**How Channel Members Add Value?**



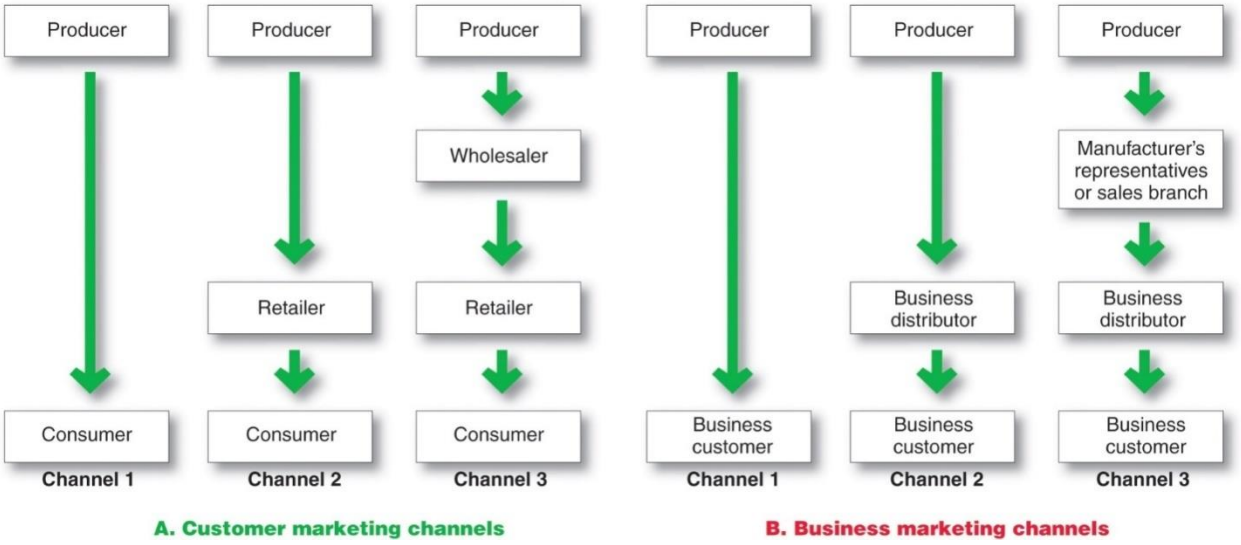

**Source:** Kotler, P., & Armstrong, G. (2018). Principles of Marketing, 17h Edition.

In the above figure you may see three manufacturers and three customers on left side. In the absence of distributor there will be 9 contacts generated. The more the contact will be, the more will be the cost of contacting. But on the right side of the figure you may see no of contacts reduced to 6 by introduction of distributor thus reducing the cost of contacting and more time will be saved. 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. Channel members also arrange financing for the producer e.g. you may take the example of fertilizer industry where producers often charge advance payments from the wholesalers for upcoming seasons. Car manufacturers also charge advance payments from the customers through retailers and use for production purposes. In the absence of channel members it will be difficult to aware the customers of far flung areas of the country.

**Management of various Flows:**

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. They push channel members to promote their products in the market.

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In the figures above A shows customer marketing channels and B shows business marketing channels. In figure A producer is directly sending to customer so it is called a direct channel. In today's digital age this channel seems more appropriate as we may see direct selling through website. Then in the second column retailer is involved in between producer and consumer. In the last column there are four members involved in the chain vis. Producer, wholesaler, retailer and consumer. Same can be seen in the figure B above for producer to business consumers. Sometimes producers are using only single channel and sometimes they use multiple channels for distributing the products.

**Marketing Channels:**

Channels of marketing consist of the firms partnering for their common good with each member playing a particular role. Someone is producing other is wholesaling and some other will be distributing etc.

**Types of Distribution systems:**

Conventional distribution systems include one or several independent channel members such as producers, wholesalers and retailers which are independent in their identity and there is no specific binding contract among them as they are simultaneously working for different producers. Retailers may take gods from different producers and then sale according to the requirements of particular areas. Thus, each channel members is independent from other channel members.

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**Vertical Marketing Systems (VMS)**

In 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. Mean there is one leader of the channel which can be producer, wholesaler, retailer etc.

Includes direct marketing activities to engage the customer directly carefully targeting the customers to generate the immediate responses for building lasting customer relationships.

VMS is further classified into three categories:

1. Corporate Marketing Systems
2. Contractual VMS
3. Administered VMS

**Corporate Marketing Systems:**

Corporate vertical marketing system combines consecutive stages of production and distribution under a single ownership. You may see the retailer owned by the manufacturer. This trend may be seen in textile industry where various mills or factories have setup their brand outlets to ensure the due placement of their products.

**Contractual VMS**

In Contractual VMS various firms unite at diverse 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. We may see this arrangement in telecom industry in which franchise system is used. Also in case of automobile we may see various dealerships. In these cases producers have given exclusive rights to some of the dealers who are bound to only carry that specific producer's products. Various arrangements may include:

- Several stages in production distribution systems are linked by franchise organization.
- Manufacturer-sponsored retailer franchise system.
- Manufacturer-sponsored wholesaler franchise system.
- Service firm-sponsored retailer franchise system

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**Administered VMS**

In Administered VMS some of few channel members have dominating presence. This dominance in leadership arises from their size and power. It neither include common ownership nor contractual arrangement. Only on the basis of an exclusive player's size or power, it influences the channel member even in the absence of formal contract. This player may be any producer, retailer or wholesaler.

**Horizontal Marketing System:**

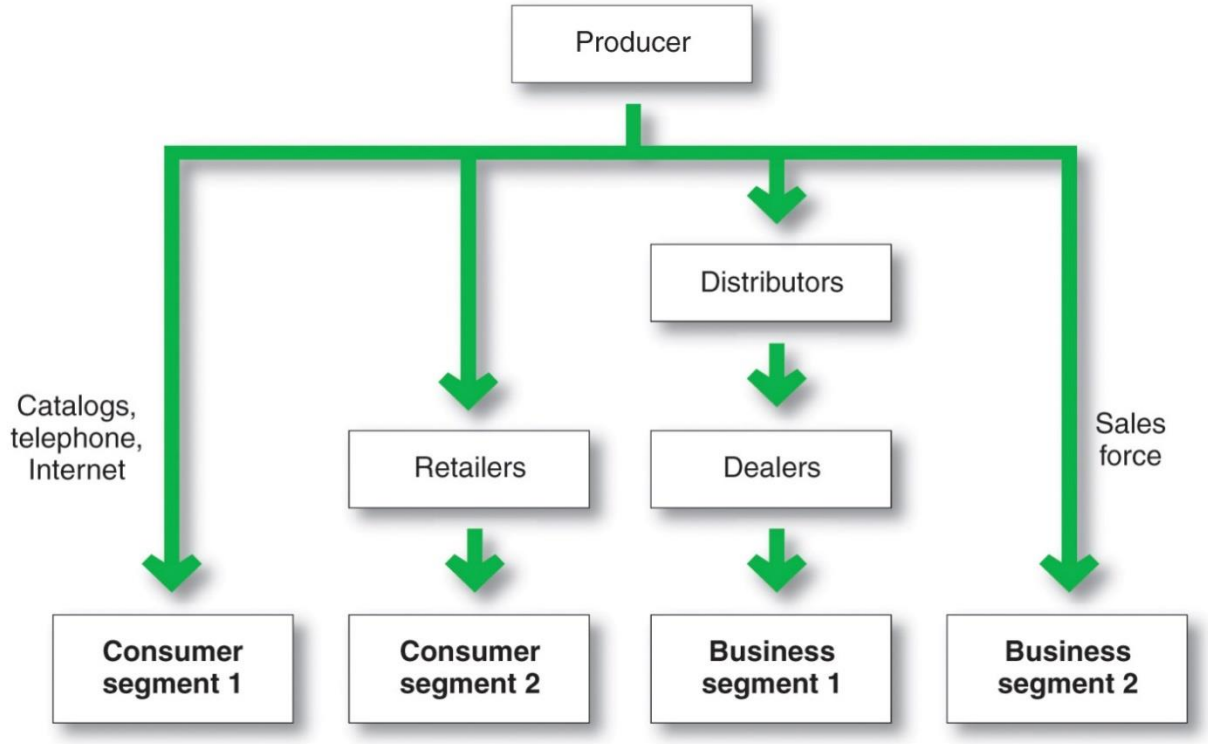
In horizontal marketing systems, two or more than two companies bond each other at one level in order to create a market opportunity. In doing so they combine various resources including production, marketing and financial resources etc. creating synergic effect that can't be achieved individually. In this case two different brands which may be competitors to each other make a complimentary arrangement e.g. a bank branch operating within the university or tire shops at gas stations. This arrangement has a synergic effect on each other and enhance their sales.

**Multi-Channel Distribution Systems/Hybrid Marketing Channels**

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. This can be understood through following figure:

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

In the above figure we may clearly see a single producer using various channels on even single consumer segments. All this effort is done to increase the sales using multiple channels which a single channel might not achieve independently.

While designing distribution channels following factors must be analyzed:

- Analyzing customer needs

How customers want them to be served?

- Setting channel objectives

Must understand why you are using single channel, dealership or retailers?

- Identifying major channel alternatives

What alternate channels do you have?

- Evaluation

Evaluate which alternative is better?

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**Types of Distribution:**

There are three types of distributions

- **Intensive distribution**
- **Exclusive distribution**
- **Selective distribution.**

**Intensive 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 using every possible channel it is mostly done for wide availability of products which fall under the category of convenience goods e.g., soft drinks have presence everywhere like gas stations, retail stores etc.

**Exclusive Distribution:**

Exclusive distribution is 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. It is mostly used for specialty goods Cars dealerships have exclusive distribution as one brand dealer has only a single brand for distribution. A particular TV brand outlet only have that particular brand of TVs otherwise it may confuse the customers.

**Selective Distribution:**

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 usually used for shopping goods like shoes, shirts, watches etc. these products are not frequently purchased.

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**Channel Management Decisions:**

Like all the P's of product, price and promotion, P of Placement is also a very important decision to consider. Channel management decisions include:

- Selecting Channel Members
- Managing Channel Members
- Motivating Channel Members
- Evaluating Channel Members

Effective channel management decisions for selecting, managing, motivating, and evaluating the channel members is very important for the company. Without taking these considerations your product or marketing program cannot succeed.

Selecting channel members is a very important factor and you need to be very careful while selecting the channel members according to nature of the product i.e., either you select intensive, exclusive or selective type of distribution and also the trustworthiness of the selected partners.
Managing the channel members is also a big concern as they themselves cannot operate as you want them to be. For this purpose, you need to constantly motivate the channel members as well by giving them various incentives like free product offerings, free national or international trips, seminars and conference invitations and much more in order to keep them motivated and loyal. Channel members and type of channels also needed to be evaluated regularly otherwise you will never know about the effectiveness of your placement strategy.

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## 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 an efficient fulfillment of the requirements of the consumers and also providing capability to the future generations for fulfillment of their 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

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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 movement has the purpose of protecting buyers' rights. Both citizens and the governmental institutions favour this movement for consumer rights. Activists of this movement 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, true information about the product is the right of customers. 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.

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Environmentalism is a movement that is concerned with the protection of natural environment. This is also the part of efforts for promotion of sustainable marketing. Some of the actions that come under environmentalism include product stewardship, prevention from pollution, use of new clean technologies, sustainability vision and design for environment. Effectiveness in pollution prevention needs cleaning the waste and this also requires removing and curtailing the waste prior to its creation. Hence, it may involve measure like recycling, waste management and green production etc. Product stewardship aims at reducing the pollution throughout the production process and in the life cycle of a product. Design for environment (DFE) techniques aim at producing those products that are environmental friendly and recyclable. Hence, production of those cans, bottles, jars and paper etc. that can be recycled would be a good step. The new environmental friendly technologies help the industry in producing environmental friendly products. For example, solar lights and electric vehicles etc. A good sustainability vision can help the companies in an effective way. Sustainability vision is the need of the hour in an age of pollution and severe climate change etc.

There are also some principles for sustainable marketing activity. First principle of it is the consumer-oriented marketing which emphasizes that companies should organize marketing activities from consumers' perspective. For example, products and the services should be cost effective and useful for the consumer and for the environment. Customer value marketing is another principle according to which the companies should try to spend most of the resources for value building activities for their customers. Innovative marketing means that the companies should strive to develop effective products for the customers for meeting their expectations. Sense-of-mission marketing explains that the companies should define their mission in a way that considers the broad social context in the mission statement along with the product or service centric details. Societal marketing explains that the companies should consider the interests of society in general in the marketing activity along with the marketing of products or services. 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 a good level of satisfaction and required benefit for the customers. Similarly, there are some other product categories that can be discussed on such a

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yardstick. Deficient products are those that do not have an immediate charm and the required long-run benefits for the customers. Salutary products are the ones that have a little direct appeal but may potentially benefit a customer in the future. Pleasing products are the products that provide good level of immediate satisfaction but may potentially prove to be harmful for the customers in the long run.

Crux of the whole debate is that businesses should take care of marketing ethics. Marketing ethics is the term used for wide-ranging principles that people in the organizations should obey. This includes relations with suppliers, following the standards of advertising, effective customer service activities, fairness in pricing process, and other general ethical standards. For example, a marketing ethics principle might be 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 making process. 2) Raising trust level in the marketing system for all the stakeholders is another marketing ethic. This implies taking a stab at the confidence in the marketing system and reasonably managing the things in order to follow the fair practices for earning the due profit only. 3) Embracing ethical values is another marketing ethic. This means effective relationship with the customers by following the true principles of ethics like honesty, fairness in dealing, respect, correct guidance to the customer etc.

Finally, 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.

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## GENERALLY ASKED QUESTIONS

**Question 1: What is the concept of selective distribution? Explain it with the help of an example.**

Answer: It is a strategy of distribution that functions between the exclusive distribution and the intensive distribution. Actually, in case of shopping products organizations distribute products through fewer carefully chosen outlets/distributors. Selective distribution is effective in the industries where special pre- and post-sale services are required. Distribution of watches, clothes, shoes and some types of home appliances is the example of selective distribution.

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**Technical Articles – MGT301**

## 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 advertising, 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 your product 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 through billboard or radio/television channels. However, in digital media the interaction with the customers is possible at the time of advertisement through messenger or online customer service by clicking on the banner ads. Fourthly, you are unable to find the exact effect of your advertising in conventional media because you don't know the number of customers who are impacted by the conventional media while in digital media the marketer is pretty sure to claim the exact impact of digital advertising because through number of clicks you can claim the number of customers who purchase your product.

### 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

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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 simple words, we can say that it is a graphic advertising in the form of audio, video, images or texts on the internet to address site visitors.

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 (define your target audience and objectives of your ads), format (Design the ad strategy and time to appear on web page), configure (Implementation of strategy in the best manner to attract and retain customers) and analyze (Analyze the strategy to know the best

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channel to create the awareness). 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

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stimulate interest of consumers. Contents on the webpage are arranged in ascending orders; top of the funnel (Contents to aware your customers regarding your products/service), middle of the funnel (Contents realizing the importance of your product in meeting their needs) and bottom of the funnel (Contents to demonstrate the product usage to help customers in purchase decision). 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 (SEO)**

"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.

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## 4P's in Digital World:

### 1. 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 includes the digital content; 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.

### 2. 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 (based on the value of product i.e. higher valued product priced high), freemium pricing (offering a trial of product free like 30 days trial for minimum price and then charged on additional usage) and reframing pricing strategies (division of the price in such a manner that customer perceives that it is a low priced product. For instance, online course price per day or per session).

### 3. 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.

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4. **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 challenges 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 smart phones with 4G/5G 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.

Now, marketers need to set high standards of their products, make responsive websites, have multiple channel communication with the consumers, make fruitful dialogues with the customers and mitigate the tolerance level. In this way a marketer can tackle the modern consumers in an efficient manner.

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## GENERALLY ASKED QUESTIONS

**Question 1: What is the Difference between the conventional and digital marketing?**

**Answer:** Conventional and digital marketing differs on the basis of following grounds:

**Cost**

Conventional marketing is costly than the digital marketing. In conventional marketing, you advertise on billboard, radio/TV and newspaper which are costly medium in nature. While in digital marketing you advertise on different social websites which is not costly as compared to conventional mode of advertising.

**Reach**

Conventional media reach is limited as people in that particular area know your product only. For example, ads on a cable channel or on a billboard reach to the people of that area only. However advertisement on a webpage reaches to the global audience along with the local audience.

**Interaction**

Another major difference is the interaction. In conventional advertisement, marketer can't interact with the customers at the time of advertisement. For example through radio/TV advertisement or billboard advertisement, you can't interact with your customers. However, through webpage advertising you can interact with your customers when customer click on your ad and messaging with the customer care department starts.

**Conversion**

In conventional marketing you can't measure the impact of your advertising in the form of number of customers who actually purchase your product versus the number of customers view your ads on billboard or TV. This is called the conversion rate. In digital marketing you can

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measure it through the number of customers click on your ads versus the number of customer who actually purchase your product.

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