UNIT1

EVOLUTION OF MARKETING

Marketing has changed over the centuries, decades and years. The production centered system systematically changed into relationship era of today and over the period; the specializations have emerged such as sales versus marketing and advertising versus retailing. The overall evolution of marketing has given rise to the concept of business development. Marketing has taken the modern shape after going through various stages since last the end of 19th century. The Production oriented practice of marketing prior to the twentieth century was conservative and hidebound by rules-of-thumb and lack of information. Science & technology developments and specially the development of information technology have now changed the way people live, the way people do business and the way people sell and purchase. Following is a short summary of the various stages of evolution of marketing.

Production Orientation Era: The prevailing attitude and approach of the production orientation era was - “consumers favor products that are available and highly affordable” . The mantra for marketing success was to “Improve production and distribution”. The rule was “availability and affordability is what the customer wants”. The era was marked by narrow product-lines; pricing system based on the costs of production and distribution, limited research, primary aim of the packaging was to protect the product, minimum promotion. Advertising meant, “Promoting products with a lesser quality”.

Product Orientation Era: The attitude changed slowly and approach shifted from production to product and from the quantity to quality. The prevailing attitude of this period was that consumers favor products that offer the most quality, performance and innovative features and the mantra for marketers was ‘A good product will sell itself’, so does not need promotion.

Sales Orientation Era: The increased competition and variety of choices / options available to customers changed the marketing approach and now the attitude was “Consumers will buy products only if the company promotes/ sells these products". This era indicates rise of advertising and the mantra for marketers was "Creative advertising and selling will overcome consumers' resistance and convince them to buy".

Marketing Orientation Era: The shift from production to product and from product to customers later manifested in the Marketing Era which focused on the "needs and wants of the customers" and the mantra of marketers was " 'The consumer is king! Find a need and fill it'. The approach is shifted to delivering

satisfaction better than competitors are.

Relationship Marketing Orientation Era: This is the modern approach of marketing. Today's marketer focuses on needs/ wants of target markets and aims at delivering superior value. The mantra of a successful marketer is 'Long-term relationships with customers and other partners lead to successes http://www.gktoday.in/evolution-of-marketing/

The following sentences summarize the above evolution of marketing.

1. Production era: 'Cut costs. Profits will take care of themselves'

2. Product era: 'A good product will sell itself'

3. Sales era: 'Selling is laying the bait for the customer'

4. Marketing era: 'The customer is King!'

5. Relationship marketing era: 'Relationship with customers determine our firm's future'

Definition of Marketing

Marketing is the study and management of exchange relationships. The American Marketing Association has defined marketing as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."

The techniques used in marketing include choosing target markets through market analysis and market segmentation, as well as understanding methods of influence on the consumer behavior.

From a societal point of view, marketing provides the link between a society's material requirements and its economic patterns of response. This way marketing satisfies these needs and wants through the development of exchange processes and the building of long-term relationships.

Sale

A **sale** is the exchange of a commodity or money as the price of a good or a service.[1] **Sales** (plural only) is activity related to selling or the amount of goods or services sold in a given time period.

The *seller* or the provider of the goods or services completes a sale in response to an acquisition, appropriation,[2] requisition or a direct interaction with the *buyer* at the point of sale. There is a passing of title (property or ownership) of the item, and the settlement of a price, in which agreement is reached on a price for which transfer of ownership of the item will occur. The *seller*, not the purchaser generally executes the sale and it may be completed prior to the obligation of payment. In the case of indirect interaction, a person who sells goods or service on behalf of the owner is known as **salesman** or **saleswoman**.

Hospitality marketing is marketing efforts directed towards the increase of revenue in the hospitality industry. Learn about education and careers in the hospitality marketing industry.

Hospitality Marketing Defined

Marketing is the process for getting a company's product or service out to consumers. Hospitality marketing takes a look at how segments of the hospitality industry, such as hotels, restaurants, resorts and amusement parks, utilize marketing techniques to promote their products or services.

The concept of **hospitality exchange**, also known as "accommodation sharing", "hospitality services" (short "hospex"), and "home stay networks", "home hospitality" ("hoho"), refers to centrally organized social networks of travelers, who offer or seek accommodation in a home either with or without monetary exchange. These services generally connect users via the internet.

Distinguish between Sales vs Marketing

Sales and marketing are closely interlinked and are aimed at increasing revenue. As sales and marketing are closely intertwined, it becomes hard to realise the difference between the two. In small firms, one cannot come across much difference between sales and marketing. But bigger firms have made clear distinction between marketing and sales and they have specialised people handling them independently.

Well, how is that sales and marketing are different? In very simple words, sales can be termed as a process which focuses or targets on individuals or small groups. Marketing on the other hand targets a larger group or the general public.

Marketing includes research (*identifying needs of the customer*), development of products (*producing innovative products*) and promoting the product (through advertisements) and create awareness about the product among the consumers. As such marketing means generating leads or prospects. Once the product is out in the market, it is the task of the sales person to persuade the customer to buy the product. Well, sales means converting the leads or prospects into purchases and orders.

While marketing is aimed at longer terms, sales pertain to shorter goals. Marketing involves a longer process of building a name for a brand and pursuing the customer to buy it even if they do not need it. Where as sales only involve a short term process of finding the target consumer.

In concept also, sales and marketing have much difference. Sales only focuses on converting consumer demand match the products. But marketing targets on meeting the consumer demands.

Marketing can be called as a footboard for sales. It prepares the ground for a sales person to approach a consumer. Marketing as such is not direct and it uses various methods like advertising, brand marketing, public relations, direct mails and viral marketing for creating an awareness of the product. Sales are really interpersonal interactions. Sales involve one-on-one meetings, networking and calls.

Another difference that is seen between marketing and sales is that the former involves both micro and macro analysis focussing on strategic intentions. On the other hand, sales pertain to the challenges and relations with the customer.

Summary

1.Sales target on individuals or small groups. Marketing on the other hand targets a larger group o the general public.

2.Marketing means generating leads or prospects. sales means converting the leads or prospects into purchases and orders.

3.Marketing involves a longer process of building a name for a brand and pursuing the customer to buy it even if they do not need it. Where as sales only involve a short term of finding the target consumer.

DISTINGUISH BETWEEN GOODS AND SERVICES

‘Goods’ are the physical objects while **‘Services’** is an activity of performing work for others. In economics, goods and services are very of use, or we can say that they are pronounced in the same breath. These are offered by the companies to the customers to provide utility and satisfy their wants. At present, the success of the business lies in the combination of best quality of goods and customer oriented services. In this article excerpt, we have discussed the differences between goods and services.

Ownership is not transferred – When buying a service, the service ownership is not transferred to the end customer. If you buy a car then the car is yours. But if you buy a ticket for an airline, then the airline is definitely not yours.

Intangibility – How do you measure service? In a restaurant, the dish can be measured, but the efforts gone in making the same dish by two different chefs cannot be measured from the customer end. Same goes for large service corporates like Accenture and Infosys. The time and effort gone for giving service to the customer is intangible. Both ownership and intangibility are old school differences between goods and services.

Involvement of customer – When comparing the difference between goods and services we have to look at the involvement of customer as well. In services involvement of customers is much more than in products. For example – ATM’s are services wherein customer has to use the machine. The same goes for vending machines as well as for self service restaurants. Today ice cream chains like Hokey pokey and food chain like Subway have more than 50% involvement of customer where the customer gets to decide the ingredients they want in their ice cream / Sub.

Quality – In case of products, mass manufacturing is common. And mass manufacturing means uniformity. However, services involve a lot of manual labour due to which the quality may vary each time. Uniformity in services is a factor which each service owner tries for. For example – The major challenge of food chains like Subway, Pizza hut and dominos is to give the same quality over and over again, whereas in local restaurants the quality of food may vary time to time from the same restaurant.

Evaluation of services is tougher – As quality varies from time to time and the involvement of customer is maximum, evaluation of different services becomes tougher. For example – HDFC has more number of ATM than SBI. Thus we can evaluate that HDFC service is better because they have more reach to the end customer. But how do we evaluate how a barber cuts your hair.

Inventories are absent – Production and consumption of services happens at the same time. This does not mean that the raw material is not present to provide the service. For example in a restaurant, a dish is made only after you order it. The raw material and the chef might be present. But the production does not begin unless and until there is a customer to consume the service.

Time is very important in services – Because inventories are absent in services, and because production and consumption is at the same time, time is a very important difference between goods and services. The keyword here is “delay”. There should be no delay in providing the service. Thus the cab should arrive on time, the food should be prepared by time and the trains should run on time. Because time is important.

Thus the difference between goods and services is based on many different factors. These factors are become more and more acute as the services sector rises in demand.

SERVICE GAP

- Customers compare the service they 'experience' with what they 'expect' and when it does not match the expectation, a gap arises.

The GAP Model

The Service Quality Model, also known as the GAP Model, was developed in 1985. It highlights the main requirements for delivering a high level of service quality by identifying five ‘gaps' that can lead to unsuccessful delivery of service.

Customers generally have a tendency to compare the service they 'experience' with the service they 'expect' to receive; thus, when the experience does not match the expectation, a gap arises.

GAP 1:

- GAP 1: Gap between consumer expectation and management perception: arises when the management or service provider does not correctly perceive what the customers wants or needs.

Gap between consumer expectation and management perception: This gap arises when the management or service provider does not correctly perceive what the customer wants or needs. For instance – hotel administrators may think guests want better food or in-house restaurant facilities, but guests may be more concerned with the responsiveness of the staff or the cleanliness of their rooms.

GAP 2 :

GAP 2 : Gap between management perception and service quality specification: this is when the management or service provider might correctly perceive what the customer wants, but may not set a performance standard

Gap between management perception and service quality specification: This is when the management or service provider might correctly perceive what the customer wants, but may not set a performance standard. An example here would be that hospital administrators may tell the nurse to respond to a request ‘fast', but may not specify ‘how fast'.

GAP 3:

GAP 3: Gap between service quality specification and service delivery: may arise pertaining to the service personnel. This could arise due to there being poor training, incapability or unwillingness to meet the set service standard.

Gap between service quality specification and service delivery: This gap may arise in situations pertaining to the service personnel. It could happen due to poor training, incapability or unwillingness to meet the set service standard. An example would be when a doctor's office has very specific standards of hygiene communicated but the hired staff may have been poorly trained on the need to follow these strict protocols.

GAP 4 :

GAP 4 : Gap between service delivery and external communication: consumer expectations are highly influenced by statements made by company representatives and advertisements. The gap arises when these assumed expectations are not fulfilled at the time of service delivery

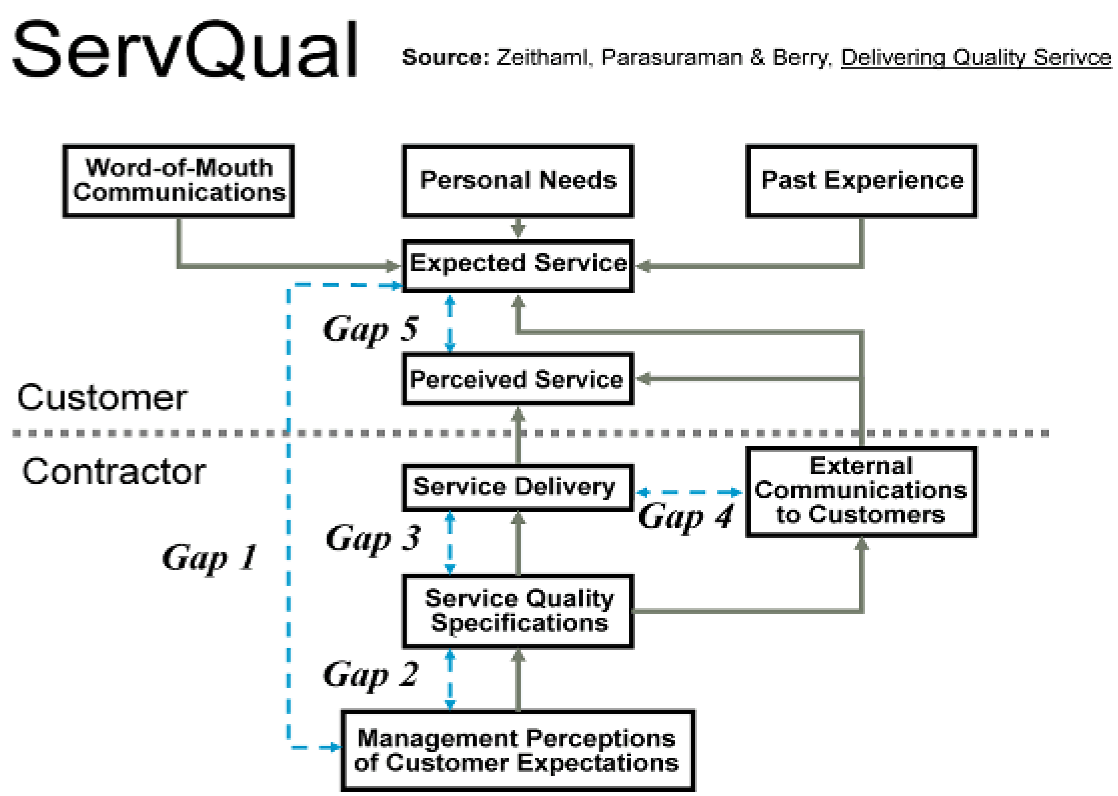
Gap between service delivery and external communication: Consumer expectations are highly influenced by statements made by company representatives and advertisements. The gap arises when these assumed expectations are not fulfilled at the time of delivery of the service. For example – a hospital printed on its brochure may have clean and furnished rooms but in reality, it may be poorly maintained – in this case the patient's expectations are not met.

GAP 5:

GAP 5: Gap between expected service and experienced service: this gap arises when the consumer misinterprets the service quality.

Gap between expected service and experienced service: This gap arises when the consumer misinterprets the service quality. The physician may keep visiting the patient to show and ensure care, but the patient may interpret this as an indication that something is really wrong.

SERVQUAL



SERVQUAL is a multi-item scale developed to assess customer perceptions of service quality in service and retail businesses (Parasuraman et. al., 1988). The scale decomposes the notion of service quality into five constructs as follows:

- Tangibles - physical facilities, equipment, staff appearance, etc.
- Reliability - ability to perform service dependably and accurately
- Responsiveness - willingness to help and respond to customer need
- Assurance - ability of staff to inspire confidence and trust
- Empathy - the extent to which caring individualized service is given

SERVQUAL represents service quality as the discrepancy between a customer's expectations for a service offering and the customer's perceptions of the service received, requiring respondents to answer questions about both their expectations and their perceptions (Parasuraman et. al., 1988). The use of perceived as opposed to actual service received makes the SERVQUAL measure an attitude measure that is related to, but not the same as, satisfaction (Parasuraman et. al., 1988). Parasuraman et. al. (1991) presented some revisions to the original SERVQUAL measure to remedy problems with high means and standard deviations found on some questions and to obtain a direct measure of the importance of each construct to the customer.

The 5 Dimensions Defined

The five SERVQUAL dimensions are:

- **TANGIBLES**-Appearance of physical facilities, equipment, personnel, and communication materials
- **RELIABILITY**-Ability to perform the promised service dependably and accurately
- **RESPONSIVENESS**-Willingness to help customers and provide prompt service
- **ASSURANCE**-Knowledge and courtesy of employees and their ability to convey trust and confidence
- **EMPATHY**-Caring, individualized attention the firm provides its customers

Not All Dimensions Are Equal

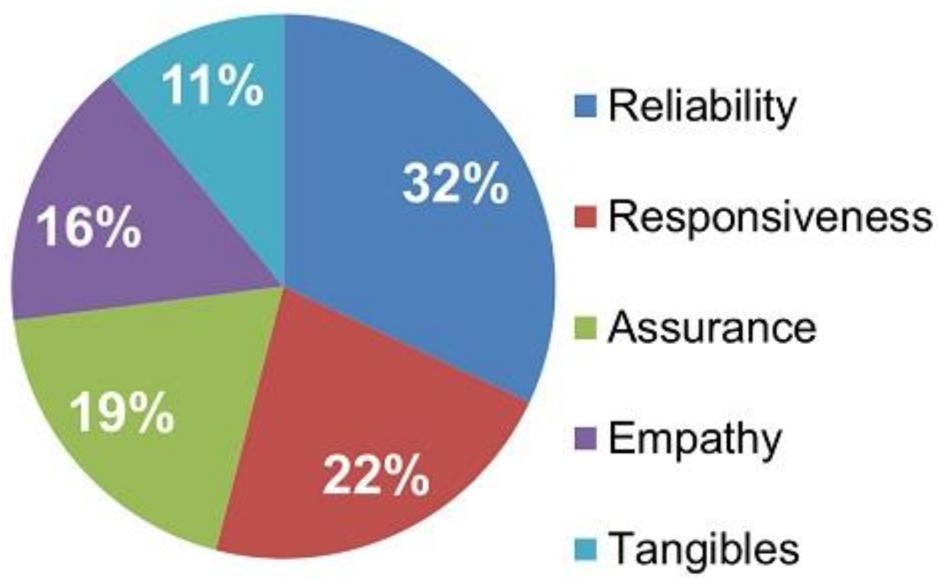
All dimensions are important to customers, but some more than others.

Service providers need to know which are which to avoid majoring in minors. At the same time they can't focus on only one dimension and let the others suffer.

SERVQUAL research showed dimensions' importance to each other by asking customers to assign 100 points across all five dimensions.

Here's their importance to customers.

The 5 Service Dimensions Customers Care About



#1 Just Do It

RELIABILITY: Do what you say you're going to do when you said you were going to do it. Customers want to count on their providers. They value that reliability. Don't providers yearn to find out what customers value? This is it.It's three times more important to be reliable than have shiny new equipment or flashy uniforms.

Doesn't mean you can have ragged uniforms and only be reliable. Service providers have to do both. But providers first and best efforts are better spent making service reliable.

Whether it's periodics on schedule, on-site response within Service Level Agreements (SLAs), or Work Orders completed on time.

#2 Do It Now

RESPONSIVENESS: Respond quickly, promptly, rapidly, immediately, instantly.
Waiting a day to return a call or email doesn't make it. Even if customers are chronically slow in getting back to providers, responsiveness is more than 1/5th of their service quality assessment.

Service providers benefit by establishing internal SLAs for things like returning phone calls, emails and responding on-site. Whether it's 30 minutes, 4 hours, or 24 hours, it's important customers feel providers are responsive to their requests. Not just emergencies, but everyday responses too.

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#3 Know What Your Doing

ASSURANCE: Service providers are expected to be the experts of the service they're delivering. It's a given.
SERVQUAL research showed it's important to communicate that expertise to customers. If a service provider is highly skilled, but customers don't see that, their confidence in that provider will be lower. And their assessment of that provider's service quality will be lower.

#4 Care about Customers as much as the Service

EMPATHY: Services can be performed completely to specifications. Yet customers may not feel provider employees care about them during delivery. And this hurts customers' assessments of providers' service quality.
For example, a day porter efficiently cleans up a spill in a lobby. However, during the clean up doesn't smile, make eye contact, or ask the customer if there is anything else they could do for them. In this hypothetical the provider's service was performed fully. But the customer didn't feel the provider employee cared. And it's not necessarily the employees fault. They may not know how they're being judged. They may be overwhelmed, inadequately trained, or disinterested.

#5 Look Sharp

TANGIBLES: Even though this is the least important dimension, appearance matters. Just not as much as the other dimensions.
Service providers will still want to make certain their employees appearance, uniforms, equipment, and work areas on-site (closets, service offices, etc.) look good. The danger is for providers to make everything look sharp, and then fall short on RELIABILITY or RESPONSIVENESS.

At the End of the Day

Customers' assessments include expectations and perceptions across all five SERVQUAL dimensions. Service providers need to work on all five, but emphasize them in order of importance. If sacrifices must be made, use these dimensions as a guide for which ones to rework.

Also, providers can use SERVQUAL dimensions in determining specific customer and site needs. By asking questions around these dimensions, providers can learn how they play out at a particular location/bid opportunity. What dimensions are you in?

SERVICE ENCOUNTER

Delivering quality service will be one of the major challenges facing hospitality managers in the opening years of the next millennium. It will be an essential condition for success in the emerging, keenly competitive, global hospitality markets. While the future importance of delivering quality hospitality service is easy to discern and to agree on, doing so presents some difficult and intriguing management issues.

Since the delivery of hospitality service always involves people, these issues center on the management of people, and in particular on the interactions between guests and staff, interactions that are called service encounters. In the eyes of our guests, our hospitality businesses will succeed or fail depending on the cumulative impact of the service encounters in which they have participated.

It is easy to check the importance of managing these service encounters. Think back to the last time you visited a hotel or restaurant. How did you feel about the quality of the experience? Was it one that you would recommend to others? What were the specific interactions that made a difference? If you can't remember, is this something that should matter to the hospitality business concerned? Surely something should have gone especially well?

Service encounters are the building blocks of quality hospitality service. How can hospitality businesses manage them more effectively? We suggest a two step process in the evaluation of a service chain.

First, hospitality managers should identify each encounter in the chain that they wish to take apart, and then single out those that are of operational or strategic significance – in effect, focusing in on the few encounters that really make a difference to guest experience and thus to the bottom line.

Second, apply what we have called the 6 S's to improving these critical encounters through effective redesign.

While the first step may seem obvious, it is important to identify a service chain and then to break it down into the component encounters. Just how much detail is needed? Too much detail takes time and resources, and may confuse rather than clarify. Too little and we may miss important problems. The process is iterative, with more detail needed in some areas and less in others, and with an overriding consideration that the chain is assessed not just from the point of view of a manager but also from that of a guest.

Which are the encounters that really matter? Those that add significant value to the guest, those that cost in time or money, those that help to differentiate the business from its competitors, and those where significant innovation is possible or occurring.

Hospitality service encounters run the gamut from those that are very trivial to those that are highly critical. They vary greatly in their nature and may be simple or complex, standard or custom, low tech or high tech, remote or friendly, low or high skill, frequent or occasional, and so on. They can be instrumental dealing with the performance of necessary utilitarian activities or can involve emotion-laden hospitality events.

An initial management task is to understand a service encounter by discerning and dealing with those attributes that are most important to guests.

The specific encounter(s) under consideration will, of course, indicate the kinds of questions that should be pursued. It is important to obtain adequate information to understand the situation thoroughly. Determining the context of a situation relating to a hospitality encounter that has gone wrong establishes parameters for improvement.

All this is part of the second step. With the information at hand hospitality managers can organize, and analyze the data and it is here that **the 6S approach** can help. These are:

1. Specification
2. Staff
3. Space
4. System
5. Support
6. Style

Specification

Specification means clearly detailing information about the what, when, where, and how, of service encounters. It requires giving careful thought to the linkages between particular service encounters and others in the service chain.

The starting point for hospitality service encounter analysis is specifying clearly the overall service strategy and what it is designed to achieve. Is the purpose cost or service quality leadership? Is it to provide unique service values, customized or standardized, complex or simple, frequent or occasional? Is it to provide service at any reasonable cost? Is service limited to a luxury package, or does it include budget travellers?

Staff

Which staff members are involved in providing the service? What skills do they need? What training has been provided? How committed are they to service goals? Is team cooperation or individual empowerment required? What attitudes are appropriate-- friendly, open, helpful, warm service, or efficient, unobtrusive, uninvolving, unthreatening service? What staff members deal with guests? How close are the 'backroom' staff to guests? Are staff presentations and appearances appropriate?

To what extent are guests involved in the provision of service? What skill, knowledge, information, or experience do guests need to fulfill their roles? What are likely guest expectations? What communication occurred between guest and service provider? Did the dynamics of the exchange proceed smoothly? Do any language and cultural barriers exist?

Space

Where will the service encounter occur? Is the space appropriately designed to facilitate the service encounter? Is there adequate space to handle each of the activities such as waiting, completing forms, storing or handling luggage, assembling tours? Is signage appropriate? Is the decor attractive to guests and supportive of activities that have to be carried out?

System

Are the necessary systems to support the encounter in place? Is the information necessary to respond effectively to guests' needs readily available? Is the appropriate technology being fully used? Are the interfaces between different functions such as housekeeping and front office, sales and front office, fully operational? What measurements of quality, or performance, are in use? Are they the most helpful for both service providers and managers? Are the criteria for success clearly defined? Is everyone involved aware of guest needs and concerns?

Support

Are the service providers given the facilities and financial and human support needed to do the job? Is the technology appropriate? Have employees been given the training needed? Are incentive and reward systems geared to the tasks to be performed? Is supervision supportive? Does organization structure help or hinder performance?Are the suggested procedures appropriate?

Style

How should the service encounter be conducted, given the enterprise culture? Is the management style, and marketing orientation, appropriate for the tasks? Do service providers have the appropriate attitudes? Is the right emphasis being placed on service quality?

When hospitality managers have carried out this two step process they will be in an excellent position to make decisions that will both improve the quality of hospitality services provided and guest perceptions of them. Zeroing in on hospitality service quality in this manner will help hospitality businesses meet the service challenges of the millennium, enhance their market positions, and reap the associated profit rewards.

MARKET SEGMENTATION

Market segmentation is one of the oldest marketing trick in the books. With the customer population and preferences becoming more wider, and the competitive options becoming more available, market segmentation has become critical in any business or marketing plan. In fact, people launch products keeping the market segmentation in mind.

There are three ways to classify what the customer wants. It is known as needs, wants and demands. However, to decide the needs, wants and demands, you need to carry out segmentation first. And in segmentation, the first step is to determine which type of customer will prefer your products. Accordingly, that customer will be from your targeted segment. Who would want your product and whether it falls in the needs segment, the wants segment or the demands segment. Once you decide the product you are going to make, then you decide on the market segmentation.

There are 4 different types of market segmentation and all of them vary in their implementation in the real world. Let us discuss each of them in detail.

Demographic segmentation – Demographic segmentation is one of the simplest and most widest type of market segmentation used. Most companies use it to get the right population in using their products. Segmentation generally divides a population based on variables. Thus demographic segmentation too has its own variables such as Age, gender, family size, income, occupation, religion, race and nationality. To read more, click on this link for demographic segmentation.

Demographic segmentation can be seen applied in the automobile market. The automobile market has different price brackets in which automobiles are manufactured. For example – Maruti has the low price bracket and therefore manufactures people driven cars. Audi and BMW have the high price bracket so it targets high end buyers. Thus in this case, the segmentation is being done on the basis of earnings which is a part of demography. Similarly, Age, life cycle stages, gender, income etc can be used for demographic type of market segmentation.

Segmentation generally divides a population based on variables. Thus demographic segmentation too has its own variables such as Age, gender, family size, income, occupation, religion, race and nationality.
The 5 main types of variables used for Demographic segmentation are as below.

- Age
- Life cycle stage
- Gender
- income
- Religion race and nationality

Each of the above variable is discussed in detail below. Demographic segmentation is one of the most commonly used forms of segmentation as it is clearly identifiable. The variables used for Demographic segmentation help divide a large population into specific customer groups.
Each and every individual has an age, gender, income etc. Thus for mass marketing, this becomes one of the best ways to diversify individuals. This also helps in analyzing lots of data in shorter time for market research as well as for promotions.

DEMOGRAPHIC SEGMENTATION

1) Age – One of the first variable of demographic segmentation is age. This is because consumer needs and wants change with their age. A youngster might want a mobile phone but an earning professional will want a communicator with lots of extra features such as email and file editing support. Thus even though the basic functionality of the product is same, the wants are different. This is the primary reason for using age as a variable in demographic segmentation.

2) Life cycle stage – Closely connected to age, the life cycle stage of a consumer group defines what will be the need of that particular customer. Example – a toddler will need infant food, a child will need dolls and toys, a middle age customer will need insurance and investment plans and finally an old age person might need retirement plans. This demographic segment cannot be said as an “Age” segment because these customers are in specific phase of their “Life”.
3) Gender – Men are from mars and women are from Venus. So naturally their preferences differ. Where men might want the latest in technology, women might desire the latest in Fashion (point is debatable

nowadays) There are several products which are gender focused such as deodorants, clothing, accessories, footwear and even automobiles. Women are gaining acceptance even in under developed economies and this has seen an increasing focus on women along with men as customers.

4) Income – BMW, Mercedes, Ferrari, these cars have customers who are much more quality and luxury conscious then others. So what would be the target group of such products? The high income customer. Similarly, in FMCG, you will see many brands and products which are targeted towards the Sec B and Sec C customers. Thus, income too can be used to define a customer group from a population. These customers are generally divided as Sec, Sec B and Sec C customers depending on their income and purchasing power.

5) Religion, Race, Nationality – Ever seen the advertising of a mass brand like Coca cola or Pepsi. Although these two brands have their own global advertising, but they also have specific advertising in each country which they enter. The messages of these advertisements are completely different and are based on the local customs, religions as well as nationality. With the tremendous increase in international business, there is also an increase in the usage of demographic segmentation on the basis of religion, race and nationality.

BEHAVIORAL SEGMENTATION – This type of market segmentation divides the population on the basis of their behavior, usage and decision making pattern. For example – young people will always prefer Dove as a soap, whereas sports enthusiast will use Lifebuoy. This is an example of behavior based segmentation. Based on the behavior of an individual, the product is marketed. This type of market segmentation is in boom especially in the smart phone market. For example – Blackberry was launched for users who were business people, Samsung was launched for users who like android and like various applications for a free price, and Apple was launched for the premium customers who want to be a part of a unique and popular niche.

Another example of behavioral segmentation is marketing during festivals. Say on christmas, the buying patterns will be completely different as compared to buying patterns on normal days. Thus, the usage segmentation is also a type of behavioral segmentation..

PSYCHOGRAPHIC SEGMENTATION– Psychographic segmentation is one which uses peoples lifestyle, their activities, interests as well as opinions to define a market segment. Psychographic segmentation is quite similar to behavioral segmentation. But psychographic segmentation also takes the psychological aspects of consumer buying behavior into accounts. These psychological aspects may be consumers lifestyle, his social standing as well as his AIO.

Application of psychographic segmentation can be seen all across nowadays. For example – Zara markets itself on the basis of lifestyle, where customers who want the latest and differential clothing can visit the Zara stores. Similarly Arrow markets itself to the premium office lifestyle where probably your bosses and super bosses shop for the sharp clothing. Thus, this type of segmentation is mainly based on lifestyle or AIO.

Segmentation is used mainly to target a certain group from within a population. Psychographic segmentation is one which uses peoples lifestyle, their activities, interests as well as opinions to define a market segment. Psychographic segmentation is quite similar to behavioral segmentation. But psychographic segmentation also takes the psychological aspects of consumer buying behavior into accounts. These psychological aspects may be consumers lifestyle, his social standing as well as his AIO. Do refer more to Activities, interests and opinons.

Here are some factors which help divide a population based on psychographic segmentation.

- **Lifestyle –** There are various segments which have become popular in retail but one of the most popular segments is the lifestyle segment. Everyone has different clothing habits based on their lifestyle. The customer might be school going, college going, office going or other. Thus by lifestyle we mean, where does the customer stand in his life cycle. Similarly, the lifestyle of a rural area customer might be different from urban areas. That is how automobiles carry out promotions. More of BTL promotions are carried out in rural areas where rugged automobiles are more in demand and ATL promotions are carried out in urban areas where esteem and buying power plays a major role. Thus a consumers lifestyle can put him in one separate segment as per the marketer.

- **Activities interests and opinions** – A subset of lifestyle, activities interests and opinions also affect consumer buying behavior.. **Activities** – The way a person carries out his work or the type of hobbies he has tells a lot about a person. If he has a tough work and at the same time he is also involved in numerous sports then we have a highly active person in hand. Whereas if we have a computer operator who mainly likes indoor sports then we have somone who is unlikely to head out of home on his weekends. Thus depending on the activities of an individual, we can determine what would be his travelling habits, his working habits, so on and so forth.

Interests – What is the consumer interested in? Is he interested in food, technology products, fashion or recreation? A consumers interests also help marketers as they help him to decide on the right marketing message which needs to be communicated to the prospect consumer. If you have a consumer who is interested in technology products, its useless to pitch recreation plans to him (he might use it, but he is not your primary target).

Opinions – Ask any political party or movie marketer and he will say that audience opinion is one of the topmost factors affecting the rise or fall of a political party or a movie. Opinions do matter. And especially in the age of internet, opinions spread fast. Nowadays there are agencies taking care of a brand online such that they can immediately give a feedback of what the public opinion about a brand / product is. The management can accordingly make the changes.
Now, as a marketer, if you have these three variables in hand – activities, interests and opinions – you can definitely make some decisions regarding your promotional plans as well as advertising message. This is the exact role that AIO – activities, interests and opinion plays in market segmentation

- **Values attitudes and lifestyle** – Another concept which is a subset of the lifestyle segment is values attitudes and lifestyles.

Vals which is also known as **values attitude and lifestyle** is one of the primary ways to perform psychographic segmentation. All three terms are intangible in nature and therefore give an idea of the inert nature of the consumer. If you know what your consumer is thinking, you would know what kind of promotions or communications will attract him most. And how do you know what the consumer is thinking? By determining his vals – Values, attitudes and lifestyle.

VALS is different for different people. Lets take income as an example. If you are a person with high income your lifestyle would probably include habits of the SEC A class such as dining out of home frequently and that too in top class restaurants, wearing only branded clothes and buying the best cars out there. Whereas if you are a middle class income group consumer, you would be more wary of spending money and would rather concentrate on savings.
So now how does VALS affect a marketer? Lets say you were a banker. What would you sell someone who had a high income lifestyle? You would sell them investment options and would also dedicate a relationship manager to take care of their needs. In fact, the bankers also have a term for high income individuals known as HNI – high networth individuals. But, if your lifestyle was that of a low income customer, you are more likely to be targeted for savings

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- **Social class** – Different consumers fall in different social classes. This depends mainly on their buying power. The buying power is affected by the background of the customer, his income as well as his spending habits. The customer will always buy to maintain his social class. Thus premium brands like gucci, longines or others always target the Sec A segments because they know that these would be the classes capable of buying their products. These brands have to keep in mind both – Lifestyle as well as social class.
- **Personality** – Personality in psychogaphic segmentation is dependent on both – lifestyle as well as social class. A person will have a rich personality only if he has high buying power as well as the taste in clothes to maintain such a lifestyle. Thus the term "Brand personality" came into effect. The reason for that is that different brands target different personalities. A simple example would be if i ask you what comes in mind if i talk about a "Harley davidson biker" more commonly known as Hogs. They would be people unshaven, tall, manly who like to live a rough lifestyle. That's the personality built for harley over time. Thus brands target their customers even based on their personality.

Overall, these factors are intangible in nature and need in depth market research to determine which lifestyle or social class to target. There are companies which are dedicated to the art of psychographic segmentation.

GEOGRAPHIC SEGMENTATION, Geographic segmentation divides the market based on the units of geography – such as location, languages used and other such basic elements which separate one geography from the other. For example – The UK and the USA are both very different markets, with different values, attitudes and lifestyle. Thus, the segmentation for both these countries need to be different.
Similarly, the differentiation can be done on regional basis, because one region might contain A grade customers (urban areas) whereas another region might contain average customers (rural or town areas). Thus, geographic segmentation devises the marketing mix based on the geography which the company is going to target.

How are geographic segments used?

While using geographic segmentation, the company might launch different products for that particular market or might also use different marketing strategy to attract the said geography. For example – In a diverse and multi lingual country like India, global companies like Vodafone, Nike, Adidas have to come up with different marketing strategy for different regions within the same country. While the south is passionate about Football, the north is more passionate about cricket. Thus, in the south of the country, Nike or Adidas market strongly based on football whereas in the north and west, they advertise more on the basis of Cricket.

MARKETING PLAN

Seven Essential Components to a Marketing Plan

When you start out in business, two things are scarce: time and resources. To create an effective new business strategy and ensure you're not wasting time or money, you need a marketing plan.

Here are the essential components of a marketing plan that keeps the sales pipeline full.

1**. Market research**. Research is the backbone of the marketing plan. Your local library is a great place to start, offering reports like Standard & Poors or IBISWorld. Some library cards even allow access to online services from home. Identify consumer buying habits in the industry, market size, market growth or decline, and any current trends.
2. **Target market**. A well-designed target market description identifies your most likely buyers. In addition, you should discuss at least two or three levels of segmentation. A language tutoring business might target both students and foreign-born employees who want to improve their English.
3**. Positioning**. What is the perception of your brand in the marketplace? For example, if your restaurant sells burgers, do customers see you as the place to go for gluten-free or healthy options or the place to go if you've got an appetite for a double cheeseburger? The difference in how the target market sees you is your positioning. Develop compelling branding and marketing messages that clearly communicate how you want to be perceived.
4. **Competitive analysis**. You need to know who your competitors are and how your products and services are different. What is the price point at which your competitors are selling, and what segment of the market are they aiming to reach? Knowing the ins and outs of your competitors will help you better position your business and stand out from the competition.
5. **Market strategy**. Your marketing strategy is your path to sales goals. Ask yourself "How will I find and attract my most likely buyers?" This is the core of what the strategy should explain. It should look at the entire marketplace and then break down specific tactics including such as events, direct mail, email, social media, content strategy, street teams, couponing, webinars, seminars, partnerships, and other activities that will help you gain access to customers.
6. Budget. Develop a month-by-month schedule of what you plan to spend on marketing. Also include a "red light" decision point. For each activity, establish a metric that tells you to stop if it's not generating sufficient return on investment (ROI).

7. **Metrics.** Track your marketing success with Google Analytics for website conversions and a simple Excel sheet to compare your budget against the actual ROI. Test programs over the course of a 30- to 60-day period, and evaluate the results. Repeat any programs that are delivering sales or sign-ups to your email list, and get rid of anything that's not.

POSITIONING

Positioning in a Marketing Plan?
Positioning is a marketing concept that outlines what a business should do to market its product or service to its customers. In positioning, the marketing department creates an image for the product based on its intended audience. This is created through the use of promotion, price, place and product. The more intense a positioning strategy, typically the more effective the marketing strategy is for a company. A good positioning strategy elevates the marketing efforts and helps a buyer move from knowledge of a product or service to its purchase.

The Steps to an Effective Positioning Strategy

The process is best broken down into its steps to keep the concept as simple as possible. But, do not assume that knowing the steps makes execution easy. It takes a great deal of clarity and conviction to follow through. Knowing the steps should help with the clarity part, but conviction is something that must be developed internally if it doesn’t already exist. It’s very important for marketers to muster the conviction of the organization, because following the process through to the end creates degrees of certainty moving forward that can’t be substituted any other way.

Plenty of companies out there get by without much conviction, and without a dedicated market position strategy. But without some degree of certainty and conviction, most companies will eventually default to the status quo when the waters get choppy. It’s only a matter of time. But, those who can follow the process through to the end will find that every action that follows becomes an expression of the market positioning strategy.

Market positioning follows seven basic steps listed below:

1. **Draft a positioning statement** — There are four simple questions that will yield a set of basic facts about the identity you have determined for your company (see below). The positioning statement is the result of plugging those facts into a basic, formulaic sentence structure.
2. **Compare and contrast to identify your own uniqueness** — Differences between your own messaging strategy and communication channels, and those of your competitors reveal openings in the market that your positioning message should address.
3. **Competitor analysis** — Investigating and analyzing the competition helps to determine the strengths and weaknesses of your own business measured against the competition. Understanding the differences between a business and its competitors is central to finding gaps in the market that can be filled.
4. **Determine current position** — Determining your existing market position is every bit as vital as any competitor analysis. That's because you have to understand your own market position to be able to properly compete for your share.
5. **Competitor positioning analysis** — An accessory to the competitor analysis, competitor positioning analysis identifies the conditions of the market that influence how much power competitors are able to exercise.
6. **Develop a unique positioning idea** — With all the analytical data in hand, you should have a better idea of who you are, who you are not, and who your best audience is. It's time to make a statement about those facts.
7. **Test the effectiveness of your brand positioning** — Testing methodology will consist of qualitative and quantitative data gathering, mainly determined by the steps prior to this, but may also include focus groups, surveys, in-depth interviews, ethnography, polls, etc. The results of the testing should then be rated against a set of criteria listed below.

UNIT 2

P ‘s of Service Marketing

<u>Product Mix</u>

Three Levels of a Product.

Consumers often think that a product is simply the physical item that he or she buys. In order to actively explore the nature of a product further, let’s consider it as three different products – the CORE **product, the** ACTUAL **product, and finally the** AUGMENTED **product. This concept is known as the Three Levels of a Product.**

The **CORE** product is NOT the tangible physical product. You can’t touch it. That’s because the core product is the BENEFIT of the product that makes it <u>valuable</u> to you. So with the car example, the benefit is convenience i.e. the ease at which you can go where you like, when you want to. Another core benefit is speed since you can travel around relatively quickly.

The **ACTUAL** <u>product</u> is the tangible, physical product. You can get some use out of it. Again with the car, it is the vehicle that you test drive, buy and then collect. You can touch it. The actual product is what the average person would think of under the generic banner of product.

The **AUGMENTED** product is the non-physical part of the product. It usually consists of lots of added value, for which you may or may not pay a premium. So when you buy a car, part of the augmented product would be the warranty, the customer service support offered by the car's manufacturer and any after-sales service. The augmented product is an important way to tailor the core or actual product to the needs of an individual customer. The features of augmented products can be converted in to benefits for individuals.

New Product Development

New product development is a task taken by the company to introduce newer products in the market. Regularly there will arise a need in the business for new product development. Your existing products may be technologically outdated, you have different segments to target or you want to cannibalize an existing product. In such cases, New product development is the answer for the company. There are 7 stages of new product development and they are as follows.

- **Idea generation** – in this you are basically involved in the systematic search for new product Ideas. A company has to generate many ideas in order to find one that is worth pursuing. The Major sources of new product ideas include internal sources, customers, competitors, distributors and suppliers. Almost 55% of all new product ideas come from internal sources according to one study. Companies like 3M and Toyota have put in special incentive programs or their employees to come up with workable ideas.

Almost 28% of new product ideas come from watching and listening to customers. Customers: even create new products on their own, and companies can benefit by finding these products and putting them on the market like Pillsbury gets promising new products from its annual Bake-off. One of Pillsbury's four cake mix lines and several variations of another came directly from Bake-Off winners' recipes.

- **Idea Screening:** -The second step in New product development is Idea screening. The purpose of idea generation is to create a large pool of ideas. The purpose of this stage is to pare these down to those that are genuinely worth pursuing. Companies have different methods for doing this from product review committees to formal market research. It, is helpful at this stage to have a checklist that can be used to rate each idea based on the factors required for successfully launching the product in the marketplace and their relative importance. Against these, management can assess how well the idea fits with the company's marketing skills and experience and other capabilities. Finally, the management can obtain an overall rating of the company's ability to launch the product successfully.

- **Concept Development and Testing** – The third step in New product development is Concept Development and Testing**.** An attractive idea has to be developed into a Product concept. As opposed to a product idea that is an idea for a product that the company can see itself marketing to customers, a product concept is a detailed version of the idea stated in meaningful consumer terms. This is different again from a product image, which is the consumers' perception of an actual or potential product. Once the concepts are developed, these need to be tested with consumers either symbolically or physically. For some concept tests, a word or a picture may be sufficient, however, a physical presentation will increase the reliability of the concept test. After being exposed to the concept, consumers are asked to respond to it by answering a set of questions designed to help the company decide which concept has the strongest appeal. The company can then project these findings to the full market to estimate sales volume.

- **Marketing Strategy Development** – This is the next step in new product development. The strategy statement consists of three parts: the first part describes the target market, the planned product positioning and the sales, market share and profit goals for the first few years. The second part outlines the product's planned price, distribution, and marketing budget for the first year. The third part of the marketing strategy statement describes the planned long-run sales, profit goals, and the marketing mix strategy.
  Business Analysis – Once the management has decided on the marketing strategy, it can evaluate the attractiveness of the business proposal. Business analysis involves the review of projected sales, costs and profits to find out whether they satisfy a company's objectives. If they do, the product can move to the product development stage.

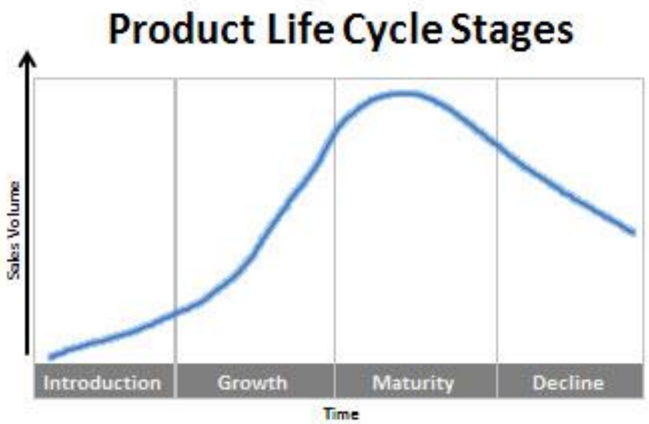
- **Product Development –** Here, R&D or engineering develops the product concept into a physical product. This step calls for a large investment. It will show whether the product idea can be developed into a full- fledged workable product. First, R&D will develop prototypes that will satisfy and excite customers and that can be produced quickly and at budgeted costs. When the prototypes are ready, they must be tested. Functional tests are then conducted under laboratory and field conditions to ascertain whether the product performs safely and effectively.

- **Test Marketing** – If the product passes the functional tests, the next step is test marketing: the stage at which the product and the marketing program are introduced to a more realistic market settings. Test marketing gives the marketer an opportunity to tweak the marketing mix before the going into the expense of a product launch. The amount of test marketing varies with the type of product. Costs of test marketing can be enormous and it can also allow competitors to launch a "me-too" product or even sabotage the testing so that the marketer gets skewed results. Hence, at times, management may decide to do away with this stage and proceed straight to the next one:

- **Commercialization** – The final step in new product development is Commercialization.Introducing the product to the market-it will face high costs for manufacturing and advertising and promotion. The company will have to decide on the timing of the launch (seasonality) and the location (whether regional, national or international). This depends a lot on the ability of the company to bear risk and the reach of its distribution network.

Today, in order to increase speed to market, many companies are dropping this sequential approach to development and are adopting the faster, more flexible, simultaneous development approach. Under this approach, many company departments work closely together, overlapping the steps in the product development process to save time and increase effectiveness.

Product Life Cycle Stages



As consumers, we buy millions of products every year. And just like us, these products have a life cycle. Older, long-established products eventually become less popular, while in contrast, the demand for new, more modern goods usually increases quite rapidly after they are launched.

Because most companies understand the different product life cycle stages, and that the products they sell all have a limited lifespan, the majority of them will invest heavily in new product development in order to make sure that their businesses continue to grow.

Product Life Cycle Stages Explained

The product life cycle has 4 very clearly defined stages, each with its own characteristics that mean different things for business that are trying to manage the life cycle of their particular products.

- **Introduction Stage** – This stage of the cycle could be the most expensive for a company launching a new product. The size of the market for the product is small, which means sales are low, although they will be increasing. On the other hand, the cost of things like research and development, consumer testing, and the marketing needed to launch the product can be very high, especially if it's a competitive sector.

- **<u>Growth Stage</u>** – The growth stage is typically characterized by a strong growth in sales and profits, and because the company can start to benefit from economies of scale in production, the profit margins, as well as the overall amount of profit, will increase. This makes it possible for businesses to invest more money in the promotional activity to maximize the potential of this growth stage.

- **<u>Maturity Stage</u>** – During the maturity stage, the product is established and the aim for the manufacturer is now to maintain the market share they have built up. This is probably the most competitive time for most products and businesses need to invest wisely in any marketing they undertake. They also need to consider any product modifications or improvements to the production process which might give them a competitive advantage.
- **<u>Decline Stage</u>** – Eventually, the market for a product will start to shrink, and this is what's known as the decline stage. This shrinkage could be due to the market becoming saturated (i.e. all the customers who will buy the product have already purchased it), or because the consumers are switching to a different type of product. While this decline may be inevitable, it may still be possible for companies to make some profit by switching to less-expensive production methods and cheaper markets.

Marketing Strategies – Stages of Product Life Cycle

Introduction:

Product passes through four stages of its life cycle. Every stage poses different opportunities and challenges to the marketer. Each of stages demands the unique or distinguished set of marketing strategies. A marketer should watch on its sales and market situations to identify the stage in which the product is passing through, and accordingly, he should design appropriate marketing strategies. Here, strategy basically involves four elements – product, price, promotion, and distribution.

By appropriate combination of these four elements, the strategy can be formulated for each stage of the PLC. Every stage gives varying importance to these elements of marketing mix. Let us analyze basic strategies used in each of the stages of the PLC, as described by Philip Kotler.

<u>Marketing Strategies for Introduction Stage:</u>

Introduction stage is marked with slow growth in sales and a very little or no profit. Note that product has been newly introduced, and a sales volume is limited; product and distribution are not given more emphasis. Basic constituents of marketing strategies for the stage include price and promotion. Price, promotion or both may be kept high or low depending upon market situation and management approach.

Following are the possible strategies during the first stage:

		Promotion: High	Promotion: Low
Price	High	Rapid Skimming Strategy	Slow Skimming Strategy
	Low	Rapid Penetration Strategy	Slow Penetration Strategy

Figure 3: Marketing Strategies for Introduction Stage

1. Rapid Skimming Strategy:

This strategy consists of introducing a new product at high price and high promotional expenses. The purpose of high price is to recover profit per unit as much as possible. The high promotional expenses are aimed at convincing the market the product merits even at a high price. High promotion accelerates the rate of market penetration, in all; the strategy is preferred to skim the cream (high profits) from market.

This strategy makes a sense in following assumptions:

(a) Major part of market is not aware of the product.

(b) Customers are ready to pay the asking price.

(c) There possibility of competition and the firm wants to build up the brand preference.

(d) Market is limited in size.

2. Slow Skimming Strategy:

This strategy involves launching a product at a high price and low promotion. The purpose of high price is to recover as much as gross profit as possible. And, low promotion keeps marketing expenses low. This combination enables to skim the maximum profit from the market.

This strategy can be used under following assumptions:

(a) Market is limited in size.

(b) Most of consumers are aware of product.

(c) Consumers are ready to pay high price.

(d) There is less possibility of competition.

3. Rapid Penetration:

The strategy consists of launching the product at a low price and high promotion. The purpose is the faster market penetration to get larger market share. Marketer tries to expand market by increasing the number of buyers.

It is based on following assumptions:

(a) Market is large.

(b) Most buyers are price-sensitive. They prefer the low-priced products.

(c) There is strong potential for competition.

(d) Market is not much aware of the product. They need to be informed and convinced.

(e) Per unit cost can be reduced due to more production, and possibly more profits at low price.

4. Slow Penetration:

The strategy consists of introducing a product with low price and low-level promotion. Low price will encourage product acceptance, and low promotion can help realization of more profits, even at a low price.

Assumptions of this strategy:

(a) Market is large.

(b) Market is aware of product.

(c) Possibility of competition is low.

(d) Buyers are price-sensitive or price-elastic, and not promotion-elastic.

<u>Marketing Strategies for Growth Stage:</u>

This is the stage of rapid market acceptance. The strategies are aimed at sustaining market growth as long as possible. Here, the aim is not to increases awareness, but to get trial of the product. Company tries to enter the new segments. Competitors have entered the market. The company tries to strengthen competitive position in the market. It may forgo maximum current profits to earn still greater profits in the future.

Several possible strategies for the stage are as under:

1. Product qualities and features improvement

2. Adding new models and improving styling

3. Entering new market segments

4. Designing, improving and widening distribution network

5. Shifting advertising and other promotional efforts from increasing product awareness to product conviction

6. Reducing price at the right time to attract price-sensitive consumers

7. Preventing competitors to enter the market by low price and high promotional efforts

Marketing Strategies for Maturity Stage:

In this stage, competitors have entered the market. There is severe fight among them for more market share. The company adopts offensive/aggressive marketing strategies to defeat the competitors.

Following possible strategies are followed:

1. To Do Nothing:

To do nothing can be an effective marketing strategy in the maturity stage. New strategies are not formulated. Company believes it is advisable to do nothing. Earlier or later, the decline in the sales is certain.

Marketer tries to conserve money, which can be later on invested in new profitable products. It continues only routine efforts, and starts planning for new products.

2. Market Modification:
This strategy is aimed at increasing sales by raising the number of brand users and the usage rate per user. Sales volume is the product (or outcome) of number of users and usage rate per users. So, sales can be increased either by increasing the number of users or by increasing the usage rate per user or by both. Number of users can be increased by variety of ways.

There are three ways to expand the number of users:
i. Convert non-users into users by convincing them regarding uses of products

ii. Entering new market segments

iii. Winning competitors' consumers

Sales volume can also be increased by increasing the usage rate per user.

This is possible by following ways:
i. More frequent use of product

ii. More usage per occasion

iii. New and more varied uses of product

3. Product Modification:

Product modification involves improving product qualities and modifying product characteristics to attract new users and/or more usage rate per user.

Product modification can take several forms:

i. Strategy for Quality Improvement:

Quality improvement includes improving safety, efficiency, reliability, durability, speed, taste, and other qualities. Quality improvement can offer more satisfaction.

ii. Strategy for Feature Improvement:

This includes improving features, such as size, colour, weight, accessories, form, get-up, materials, and so forth. Feature improvement leads to convenience, versatility, and attractiveness. Many firms opt for product improvement to sustain maturity stage.

Product improvement is beneficial in several ways like:

(1) It builds company's image as progressiveness, dynamic, and leadership,

(2) Product modification can be made at very little expense,

(3) It can win loyalty of certain segments of the market,

(4) It is also a source of free publicity, and

(5) It encourages sales force and distributors.

4. Marketing Mix Modification:

This is the last optional strategy for the maturity stage. Modification of marketing mix involves changing the elements of marketing mix. This may stimulate sales. Company should reasonably modify one or more elements of marketing mix (4P's) to attract buyers and to fight with competitors. Marketing mix modification should be made carefully as it is easily imitated.

<u>Marketing Strategies for Decline Stage:</u>

Company formulates various strategies to manage the decline stage. The first important task is to detect the poor products. After detecting the poor products, a company should decide whether poor products should be dropped. Some companies formulate a special committee for the task known as Product Review Committee. The committee collects data from internal and external sources and evaluates products. On the basis the report submitted by the committee, suitable decisions are taken.

Company may follow any of the following strategies:

1. Continue with the Original Products:

This strategy is followed with the expectations that competitors will leave the market. Selling and promotional costs are reduced. Many times, a company continues its products only in effective segments and from remaining segments they are dropped. Such products are continued as long as they are profitable.

2. Continue Products with Improvements:

Qualities and features are improved to accelerate sales. Products undergo minor changes to attract buyers.

3. Drop the Product:

When it is not possible to continue the products either in original form or with improvement, the company finally decides to drop the products.

Product may be dropped in following ways:

i. Sell the production and sales to other companies

ii. Stop production gradually to divert resources to other products

iii. Drop product immediately.

BRANDING

What is Branding?

There is a lot of confusion around branding, there are multiple definitions, so what is branding? Decades ago branding was defined as a name, slogan, sign, symbol or design, or a combination of these elements that identify products or services of a company. The brand was identified of the elements that differentiated the goods and or service from the competition. Today brand is a bit more complex, but even more important in today's world of marketing.

It's the perception that a consumer has when they hear or think of your company name, service or product. That being said the word "brand" or "branding" is a moving target and evolves with the behavior of consumers, I think of it as the mental picture of who you as a company represents to consumers, it's influenced by the elements, words, and creativity that surround it.

What Should a Brand Do?

Branding is not only about getting your target market to select you over the competition, but about getting your prospects to see you as the sole provider of a solution to their problem or need.

The objectives that a good brand will achieve include:

- Clearly, delivers the message
- Confirms your credibility
- Emotionally connects your target prospects with your product and or service.
- Motivates the buyer to buy
- Creates User Loyalty

Branding and Understanding Your Customer

To succeed in branding, you must understand the needs and wants of your customers and prospects.

This is achieved by integrating your brand strategies through your company at every point of public contact. Think of branding as the expression of who you are as a company or organization and what you offer. Sound difficult? Think of it like this if a brand could speak it would say:

- I am ________________.
- I exist because ________________.
- If you relate to who I am and why I exist you might like me, you can buy me and you can tell others about me.

As consumers begin to identify with you, your brand will live within the hearts and minds of customers, clients, and prospects. It is the sum total of their experiences and perceptions, some of which you can influence, and some that you cannot.

The Importance of Branding

A strong brand is invaluable as the battle for customers intensifies day by day. It's important to spend time investing in researching, defining, and building your brand. After all, your brand is the source of a promise to your consumer.

YourThe brand is a foundational piece in your marketing communication and one you do not want to be without. Brand is strategic and marketing is tactical and what you use to get your brand in front of consumers. That's why it carries a great deal of importance within a business or organization as well.

- Brand serves as a guide to understanding the purpose of business objectives.
- It enables you to align a marketing plan with those objectives and fulfill the overarching strategy.

The effectiveness of brand doesn't just happen before the purchase, but it's also about the life of the brand of the experience it gives a consumer. Did the product or service perform as expected? Was the quality as good as promised or better? How was the service experience? If you can get positive answers to these questions you've created a loyal customer.

Brand not only creates loyal customers, but it creates loyal employees. Brand gives them something to believe in, something to stand behind. It helps them understand the purpose of the organization or the business.

4 Key Reasons Why Branding is Important

You know that branding is the key to any company, whether they sell coffee or industrial parts or clothing. But convincing your organization or clients that branding is necessary for all components of their business to succeed can be a bit more difficult than deciding exactly what colors best represent their brand mission.

How would you explain the process of branding to your clients? If you're not sure how you'd break down your approach, you may be doing it wrong

Dave Holston, author of *The Strategic Designer*, will walk you through the brand development process from conducting research to developing brand values to communicating it all through your designs in his Brand Strategy Course. Here, he shares 4 reasons why companies brand:

1. **Branding provides a competitive advantage**
   Whether you're a non-profit or a for-profit, your organization needs to compete for resources, funding and talent, and audience attention. To win your category, organizations plan and implement strategy—a roadmap that outlines specific actions and measures for reaching their goals and out maneuvering their peers for needed resources. When done correctly the organization's brand mirrors their strategic plan, and helps promote strategic areas and initiatives that will move the organization forward.
2. **Brands provide a stable asset**
   Products might fail, companies are bought and sold, technologies change on a daily basis, but strong brands carry on through all these changes. Brands are the most sustainable asset of any organization, and when aligned with the overall strategy of the organization they can function as the central

organizing principle for the organization’s decision making. Consider that the Coca-Cola brand has been around for more than 120 years, while most of the world’s other valued brands have existed for just 50 years, and most corporations only last 25 years.

3. **Brands provide economic value**
The value of organizations is divided into two areas: intangible and tangible assets—brands being intangible assets. A study of organizations in the S&P 500 index showed that over a 30-year period between 1975 and 2003 the overall corporate value of intangible assets increased from 17% to 80%. The magazine *Businessweek* has concluded that brands account for more than one-third of shareholder value. This leaves us with the conclusion that the value of most businesses comes from intangible assets, brands being the most prominent of these assets.

   Consider that the Coca-Cola brand name alone is worth $67million and accounts for over 54% of the stock market value of the organization. Or consider the value of brand to a non-profit like the Red Cross and the importance of their brand in attracting donations and volunteers. Because of their financial impact, brands are a unique organizational asset. Brands play a key role in attracting employees, partners and most importantly audiences to an organization. Brands help cut through the clutter of the marketplace, creating awareness for organizations and helping them attract and develop the mutually beneficial relationships with customers, suppliers and the public that they need to reach their goals.

4. **Brands set expectations**
We live in a world based on promises. The airline mechanic promises to do a thorough job, checking and rechecking the aircraft to make sure it’s safe. Restaurants promise to provide fresh food made in clean environments. Our teachers promise to educate and protect our children during the school day. Often there are legal repercussions that bind people to fulfill these promises, but more often than not promises and vows are maintained based on the individual’s own moral and ethical code. We have an unspoken contract with the people we live and work with, that they will do what they say they’ll do. We have similar agreements with companies, products and services.

At the heart of branding is the promise that is made by the organization to the audience. The brand promise tells the audiences who you are, what you believe in, and what unique value you provide. The ability to fulfill your promises at every stage of the relationship is the defining factor for most organizations success or failure. When promises are broken the reputation of the organization is called into question, and the brand suffers. When brand promises are kept, audiences respond with loyalty and affection.

We encounter brand promises on a daily basis. The simple act of getting a soda out of a vending machine is an exercise in brand promise. The vending machine offers many drink options to choose from, but more than likely our drink selection will be based on prior experiences with a specific product. We have an expectation of an experience when we make our selection, much of which has been established through the decision-making steps of awareness, interest, desire, and satisfaction.

Interestingly, the things that influence our decision-making process have little to do with the product or service. Much of our experience with a product or service is created through the associations that we’ve made with the product through advertising, brand identity and the environment in which the product is experienced.

PRICE MIX

Pricing Objectives: Top 5 Objectives of Pricing

Pricing can be defined as the process of determining an appropriate price for the product, or it is an act of setting price for the product. Pricing involves a number of decisions related to setting price of product. Pricing policies are aimed at achieving various objectives. Company has several objectives to be achieved by the sound pricing policies and strategies. Pricing decisions are based on the objectives to be achieved. Objectives are related to sales volume, profitability, market shares, or competition. Objectives of pricing can be classified in five groups as shown in figure 1.

1. Profits-related Objectives:

Profit has remained a dominant objective of business activities.

Company's pricing policies and strategies are aimed at following profits-related objectives:

i. Maximum Current Profit:

One of the objectives of pricing is to maximize current profits. This objective is aimed at making as much money as possible. Company tries to set its price in a way that more current profits can be earned. However, company cannot set its price beyond the limit. But, it concentrates on maximum profits.

ii. Target Return on Investment:

Most companies want to earn reasonable rate of return on investment.

Target return may be:

(1) fixed percentage of sales,

(2) return on investment, or

(3) a fixed rupee amount.

Company sets its pricing policies and strategies in a way that sales revenue ultimately yields average return on total investment. For example, company decides to earn 20% return on total investment of 3 crore rupees. It must set price of product in a way that it can earn 60 lakh rupees.

2. Sales-related Objectives:

The main sales-related objectives of pricing may include:

i. Sales Growth:

Company's objective is to increase sales volume. It sets its price in such a way that more and more sales can be achieved. It is assumed that sales growth has direct positive impact on the profits. So, pricing decisions are taken in way that sales volume can be raised. Setting price, altering in price, and modifying pricing policies are targeted to improve sales.

ii. Target Market Share:

A company aims its pricing policies at achieving or maintaining the target market share. Pricing decisions are taken in such a manner that enables the company to achieve targeted market share. Market share is a specific volume of sales determined in light of total sales in an industry. For example, company may try to achieve 25% market shares in the relevant industry.

iii. Increase in Market Share:

Sometimes, price and pricing are taken as the tool to increase its market share. When company assumes that its market share is below than expected, it can raise it by appropriate pricing; pricing is aimed at improving market share.

3. Competition-related Objectives:

Competition is a powerful factor affecting marketing performance. Every company tries to react to the competitors by appropriate business strategies.

With reference to price, following competition-related objectives may be priorized:

i. To Face Competition:

Pricing is primarily concerns with facing competition. Today's market is characterized by the severe competition. Company sets and modifies its pricing policies so as to respond the competitors strongly. Many companies use price as a powerful means to react to level and intensity of competition.

ii. To Keep Competitors Away:

To prevent the entry of competitors can be one of the main objectives of pricing. The phase 'prevention is better than cure' is equally applicable here. If competitors are kept away, no need to fight with them. To achieve the objective, a company keeps its price as low as possible to minimize profit attractiveness of products. In some cases, a company reacts offensively to prevent entry of competitors by selling product even at a loss.

iii. To Achieve Quality Leadership by Pricing:

Pricing is also aimed at achieving the quality leadership. The quality leadership is the image in mind of buyers that high price is related to high quality product. In order to create a positive image that company's product is standard or superior than offered by the close competitors; the company designs its pricing policies accordingly.

iv. To Remove Competitors from the Market:

The pricing policies and practices are directed to remove the competitors away from the market. This can be done by forgoing the current profits – by keeping price as low as possible – in order to maximize the future profits by charging a high price after removing competitors from the market. Price competition can remove weak competitors.

4. Customer-related Objectives:

Customers are in center of every marketing decision.

Company wants to achieve following objectives by the suitable pricing policies and practices:

i. To Win Confidence of Customers:

Customers are the target to serve. Company sets and practices its pricing policies to win the confidence of the target market. Company, by appropriate pricing policies, can establish, maintain or even strengthen the confidence of customers that price charged for the product is reasonable one. Customers are made feel that they are not being cheated.

ii. To Satisfy Customers:

To satisfy customers is the prime objective of the entire range of marketing efforts. And, pricing is no exception. Company sets, adjusts, and readjusts its pricing to satisfy its target customers. In short, a company should design pricing in such a way that results into maximum consumer satisfaction.

5. Other Objectives:

Over and above the objectives discussed so far, there are certain objectives that company wants to achieve by pricing.

They are as under:

i. Market Penetration:

This objective concerns with entering the deep into the market to attract maximum number of customers. This objective calls for charging the lowest possible price to win price-sensitive buyers.

ii. Promoting a New Product:

To promote a new product successfully, the company sets low price for its products in the initial stage to encourage for trial and repeat buying. The sound pricing can help the company introduce a new product successfully.

iii. Maintaining Image and Reputation in the Market:

Company's effective pricing policies have positive impact on its image and reputation in the market. Company, by charging reasonable price, stabilizing price, or keeping fixed price can create a good image and reputation in the mind of the target customers.

iv. To Skim the Cream from the Market:

This objective concerns with skimming maximum profit in initial stage of product life cycle. Because a product is new, offering new and superior advantages, the company can charge relatively high price. Some segments will buy product even at a premium price.

v. Price Stability:

Company with stable price is ranked high in the market. Company formulates pricing policies and strategies to eliminate seasonal and cyclical fluctuations. Stability in price has a good impression on the buyers. Frequent changes in pricing affect adversely the prestige of company.

vi. Survival and Growth:

Finally, pricing is aimed at survival and growth of company's business activities and operations. It is a fundamental pricing objective. Pricing policies are set in a way that company's existence is not threatened.

Pricing Decisions: Internal and External Factors

The influencing factors for a price decision can be divided into two groups:

(A) Internal Factors and

(B) External Factors.

(A) Internal Factors:

1. Organisational Factors:

Pricing decisions occur on two levels in the organisation. Over-all price strategy is dealt with by top executives. They determine the basic ranges that the product falls into in terms of market segments. The actual mechanics of pricing are dealt with at lower levels in the firm and focus on individual product strategies. Usually, some combination of production and marketing specialists are involved in choosing the price.

2. Marketing Mix:

Marketing experts view price as only one of the many important elements of the marketing mix. A shift in any one of the elements has an immediate effect on the other three—Production, Promotion and Distribution. In some industries, a firm may use price reduction as a marketing technique.

Other firms may raise prices as a deliberate strategy to build a high-prestige product line. In either case, the effort will not succeed unless the price change is combined with a total marketing strategy that supports it. A firm that raises its prices may add a more impressive looking package and may begin a new advertising campaign.

3. Product Differentiation:

The price of the product also depends upon the characteristics of the product. In order to attract the customers, different characteristics are added to the product, such as quality, size, colour, attractive package, alternative uses etc. Generally, customers pay more prices for the product which is of the new style, fashion, better package etc.

4. Cost of the Product:

Cost and price of a product are closely related. The most important factor is the cost of production. In deciding to market a product, a firm may try to decide what prices are realistic, considering current demand

and competition in the market. The product ultimately goes to the public and their capacity to pay will fix the cost, otherwise product would be flapped in the market.

5. Objectives of the Firm:

A firm may have various objectives and pricing contributes its share in achieving such goals. Firms may pursue a variety of value-oriented objectives, such as maximizing sales revenue, maximizing market share, maximizing customer volume, minimizing customer volume, maintaining an image, maintaining stable price etc. Pricing policy should be established only after proper considerations of the objectives of the firm.

(B) External Factors:

1. Demand:

The market demand for a product or service obviously has a big impact on pricing. Since demand is affected by factors like, number and size of competitors, the prospective buyers, their capacity and willingness to pay, their preference etc. are taken into account while fixing the price.

A firm can determine the expected price in a few test-markets by trying different prices in different markets and comparing the results with a controlled market in which price is not altered. If the demand of the product is inelastic, high prices may be fixed. On the other hand, if demand is elastic, the firm should not fix high prices, rather it should fix lower prices than that of the competitors.

2. Competition:

Competitive conditions affect the pricing decisions. Competition is a crucial factor in price determination. A firm can fix the price equal to or lower than that of the competitors, provided the quality of product, in no case, be lower than that of the competitors.

3. Suppliers:

Suppliers of raw materials and other goods can have a significant effect on the price of a product. If the price of cotton goes up, the increase is passed on by suppliers to manufacturers. Manufacturers, in turn, pass it on to consumers.

Sometimes, however, when a manufacturer appears to be making large profits on a particular product, suppliers will attempt to make profits by charging more for their supplies. In other words, the price of a finished product is intimately linked up with the price of the raw materials. Scarcity or abundance of the raw materials also determines pricing.

4. Economic Conditions:

The inflationary or deflationary tendency affects pricing. In recession period, the prices are reduced to a sizeable extent to maintain the level of turnover. On the other hand, the prices are increased in boom period to cover the increasing cost of production and distribution. To meet the changes in demand, price etc.

Several pricing decisions are available:

(a) Prices can be boosted to protect profits against rising cost,

(b) Price protection systems can be developed to link the price on delivery to current costs,

(c) Emphasis can be shifted from sales volume to profit margin and cost reduction etc.

5. Buyers:

The various consumers and businesses that buy a company’s products or services may have an influence in the pricing decision. Their nature and behaviour for the purchase of a particular product, brand or service etc. affect pricing when their number is large.

6. Government:

Price discretion is also affected by the price-control by the government through enactment of legislation, when it is thought proper to arrest the inflationary trend in prices of certain products. The prices cannot be fixed higher, as government keeps a close watch on pricing in the private sector. The marketers obviously can exercise substantial control over the internal factors, while they have little, if any, control over the external ones.

Pricing Strategies: Price Skimming and Penetration Pricing

Article shared by Samiksha S

Some of the most important pricing strategies are as follows:

1. Price Skimming

2. Penetration Pricing

1. Price Skimming:

Under this strategy a high introductory price is charged for an innovative product and later on the price is reduced when more marketers enter the market with same type of product for example, Sony, Philips etc. when they introduce a new technology then a high price is charged for the product.

When the same technology is used by other electronic companies in their product also then the price is reduced. Generally innovators use price skimming strategy to get reward for their research and development.

The price skimming strategy cannot be used by every marketer. For using this strategy following conditions are must:

(a) The product must be highly distinctive and demand for that product must be very inelastic:

The high introductory price can be charged only for unique products and the products for which easy substitutes are not available customers pay high price for the product for its novelty and uniqueness e.g., Rolex watches, Rolls Royce.

(b) The company must be able to maintain its uniqueness for some time:

If the product can be copied easily then price skimming will not bring revenue for a longer time.

(c) Presence of class market segment:

To use price skimming strategy there must be customers in the market who value the uniqueness of the product and are ready to pay high price.

2. Penetrating Pricing:

This strategy means using lower initial price to capture a large market. These forces the customers to buy the product and company can capture a very big share and leave very small share for competitors. Penetration pricing is attractive when following conditions are satisfied:

(i) The price elasticity of demand is high and easy substitutes of that product are available.

(ii) The firm can increase its production capacity with increase in demand.

(iii) When customers are highly price sensitive which means customers easily shift to another brand if it is available at low price.

iv) When company has to face high competition while launching the product.

The Reliance Company followed penetration pricing strategy when it introduced mobile phone. It offered it at so low price that it captured big share of mobile phone market.

5 Clever Pricing Strategies for Small Hotels

It's obvious that pricing plays a crucial role in *any* business, but did you know that you can use pricing strategies to do more than just fatten up your small hotel's bottom line? How you set your prices can have positive or negative implications. The right pricing strategy can help you increase your market share against other properties in the area (or prevent new competitors from entering the market), while the wrong pricing strategy can do just the opposite. These clever pricing techniques can help you get more bookings (and market share) for your bed and breakfast, inn, guesthouse, or small hotel.

1. Price match your competitors

If there's an accommodation provider near you who you consider to be a competitor, set one room rate at the same price point, and set another room at a slightly higher rate. **Why?** It gives you the best of both worlds. Your small hotel to gets to win over deal-seeking guests without losing the opportunity to make a little bit more than your competitors.

2. Psychological pricing

Set your rates at an unrounded price – for example, $99 instead of $100. The odd pricing technique is simple, but effective, making it one of the most common pricing strategies used around the world. We're just wired to be more attracted to the odd price. **Why?** Some say that it's because of the digital places – for example, if 9 gets rounded up to 10, 10 itself has two unit places, therefore the amount will be psychologically perceived as a lot higher despites its real difference. This technique is psychologically proven to work, so use it to boost room sales.

3. Surround your middle market

Set the price of your most basic room to the cheapest price in the market and price your other rooms close to your competitors' basic room prices. **Why?** Essentially, this allows you to capture the middle market – as well as the lower and higher markets – all in one go.

4. Be better than the rest

Set your small hotel's room rates higher than your competitors. Consider throwing in some extras to justify the increase in price. **Why?** By doing so, you will set a standard that your property is of higher value and therefore worth paying more. If you pursue this strategy, be sure to *deliver* on your value promises.

5. Penetrate the market

Offer your rooms at the lowest price possible to draw in a crowd of guests to your small hotel.**Why?** Most guests are familiar with the idea of running promotional discounts to raise awareness, so this strategy is great to get the word out about your property. However, it should not be long term – do it in short bursts or your guests may start thinking you're of low value, and your profit margins will drop over time.

Work out what's right for your small hotel

Each property is different, so measuring your success and tweaking your pricing to suit is instrumental to your success. How else will you know whether it has increased your occupancy rate and your revenue? As a small hotel owner, you will have to make the final call on what you want to achieve most with your pricing and then put your chosen strategy in place. Use your reservation and accommodation management system to draw up essential hotel reports for specific periods of time to know if you have the correct pricing strategy in place. If yours doesn't currently have this capability, why not see how useful and simple Little Hotelier's reporting tool is.

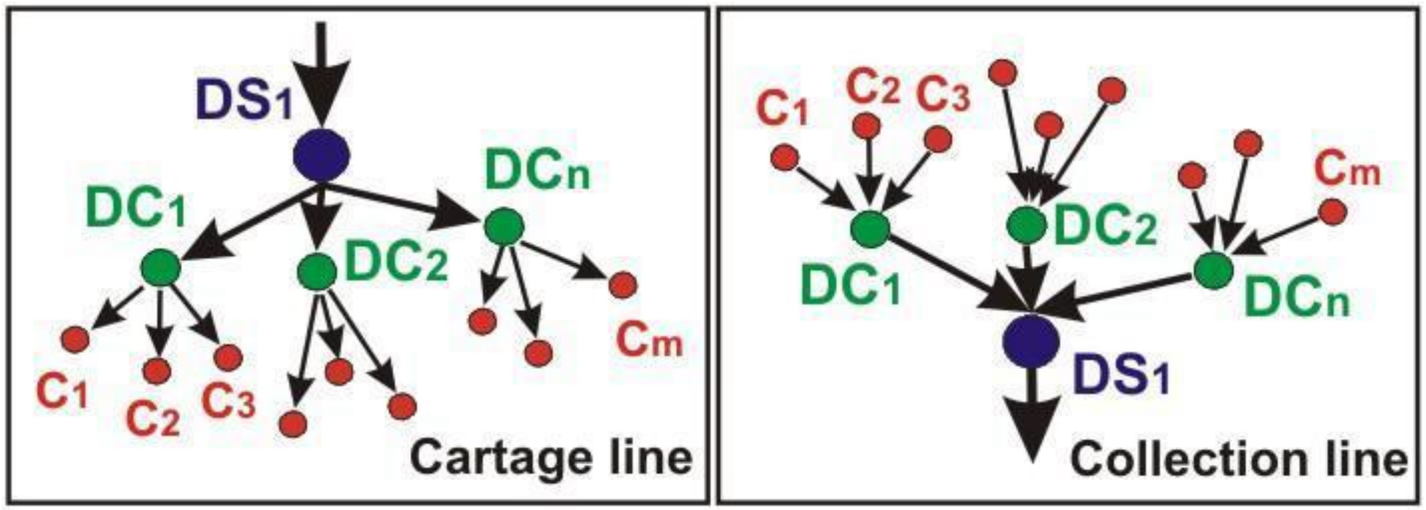
Distribution Channels in Marketing: Definition, Types & Examples

The route or the path through which product is transferred from the place of the production the final consumers is known as distribution channels. You may transferred goods through both direct and indirect ways. A distribution channels may called direct, when the manufacturer supplies the goods directly to the ultimate consumer and uses no intermediaries. Here the marketing functions are carried out by the manufacturer of product by him. If a manufacturer sells the goods to the consumers through one or more than one middlemen, the channel is called indirect channel of distribution. In indirect channel of distribution, the functions of buying, selling, transporting, storing, are undertaken by the middlemen.

Classification of distribution network Distribution networks are possible classified:

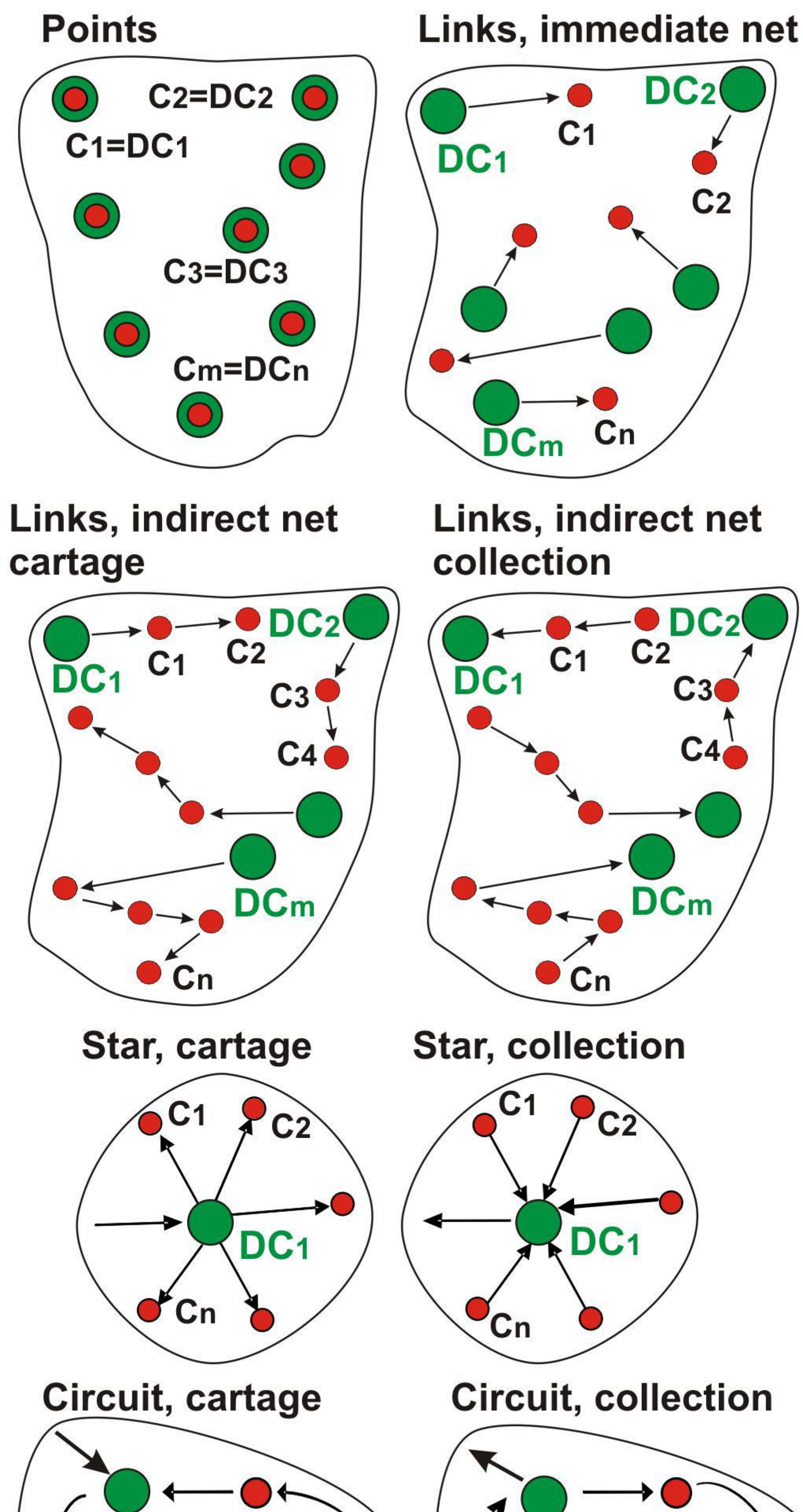
– one-way distribution nets,
– basic distribution nets,
– complicated distribution nets.

One-way distribution network is a tree was distribution goes from root to leaves or opposite but never in both directions, duplex regime One-way network can have form „TREE". This distribution is for example water distribution or gas distribution into the consumer sectors, where one shared base is branching on smaller branches, feeder lines, which supply goods directly to single recipients Example of reverse direction distribution is sewage network, which has base in quantity of producers, which join together and created one big shared distribution source. Fig. 2. One-way network tree type, cartage type



<u>Basic distribution networks</u> depend on especially in the way transfer, by this we can partition networks on:

– point distribution network,
– line – immediate distribution network type,
– line – indirect distribution network type,
– distribution network star, – distribution network circuit,
– distribution network flower.


Points
C2=DC2
C1=DC1
C3=DC3
Cm=DCn
Links, immediate net
DC1
C1
DC2
C2
DCm
Cn
Links, indirect net cartage
DC1
C1
C2
DC2
C3
C4
DCm
Cn
Links, indirect net collection
DC1
C1
C2
DC2
C3
C4
DCm
Cn
Star, cartage
C1
C2
DC1
Cn
Star, collection
C1
C2
DC1
Cn
Circuit, cartage
Circuit, collection

Point network is characteristics by, that distribution products between producer and consumer do not exist, but production, sale and consumption products to run in one place (e.g. services), in our image is network creation by the points without connection.

Line – immediate network type is creation immediate connection between producer and recipient.

Line – indirect network type is creation connection between producer and a few recipients, which in distribution process serve the same means of transport so, that start and finish distribution are not in the same place.

Network star type is creation several recipients, or contractors, which product supply or product collection is executing from shared distribution centre most frequently from some warehouse. Network circuit type is characteristics by, that during one's distribution round is doing attendance of several distribution places so, that means of transport has start and finish distribution are in the same beginning distribution place.

Network flower type is characteristics by, that distribution places supply execute from shared distribution centre so, that means of transport has start and finish distribution in the same distribution place, but on the one distribution round is not possible from time, capacity, distance and other possibilities able serve all distribution places. In one distribution connection have to be least two distribution places, otherwise is creating distribution network star type. This sequential distribution individual distribution places create distribution network flower type.

Complicated structure of distribution networks. If in distribution process are representation distribution places with sequence on distribution warehouses and distribution headquarters, is possible to define another types of distribution networks as combination link, star, circuit and flower. In distribution process is structure of distribution networks create combination of listed distribution networks types. Combination can be developed following distribution networks types . In these networks can be parts target to distribution of goods, haulage of goods or their combination and network parts which are only one-way distribution.

Static and dynamic distribution networks Dependence on type means of transport and mode of distribution operation in practice exist two types of distribution networks: – static distribution networks, – dynamic distribution networks. Static distribution networks are networks, which distribution form, mode and character is not change in the time. Examples static distribution networks are e.g. oil pipeline, gas pipeline, water, gas and electric distribution, sewage networks (Rosova 2007, Bindz ´ ar´ et al. 2009). Dynamic distribution networks are networks, which distribution form, mode and character is change in the time. Examples dynamic distribution networks are e.g. distribution goods per order. Form of static distribution network is defined by form of distributing pipe gas pipeline, water pipeline, hard attachment distribution pipes, or static distribution network create always equally running distribution. Form of dynamic network is changing at need. On dynamic networks has major usage dynamic scheduling trajectory of distribution, according to need for distribution goods

Types of Distribution channels

There are four major distribution channels for **marketing** of consumer products.

- Direct Channel.
- Indirect Channel.
- Selective Distributive Channel.
- Intensive Distributive Channel.

1. **Direct Channel**

When the manufacturer or the producer supplies goods directly to the consumers is called direct channel. The manufacturer in this stage of **distribution channels** performs all the marketing functions himself. No middleman is involved. In the direct channels of distribution, the manufacturer attempts to reach the consumers through his

- Own retail stores,
- House to house selling,
- By mail and

- By sales from the factory door.

The manufacturer to consumer link no doubt appears to be simple and low cost method of distribution channels, but it is not practicable for marketing of the large amount of consumer goods. Imagine for a moment, the difficulties which a producer of soap, hairpins, toothpaste, shoe polish, cigarettes, beverages etc will face in selling the goods directly to the consumers.

2. **Indirect Channel**

Indirect channel are also called exclusive distribution channels. It can be defined as marketing of goods first to retailer who in turn sell it to consumers is known as Indirect Channel of distribution. It is a most effective method of products distributions, and effectively used for promoting clothes, machines, automobiles, furniture's etc. The reasons for selecting indirect channels of distribution are:

- Better control on the supply of goods.
- Speedy disposal of products.
- Lesser expenses on selling.
- Better training of sales people and
- Rapid feedback.

3. **Selective Distributive Channel**

The marketing through Wholesaler is one of the widely used ways of distribution in all over the world. These distribution Channels enables the manufacturer to sell goods in lot to a few selected wholesalers, who sell it to retailers, who further in turn to sell products to the consumers. The wholesaler acting as middleman, take little to the goods, assume risks, appoint dependable retailers, provide goods on cash as well as a credit and thus spreads sale on a wide market. These types of distribution channels are effective for the promotion of drugs, hardware, tobacco, toys, food products etc.

4. **Intensive Distributive Channel**

In intensive distribution channels, the producer uses many wholesalers and retail middlemen for the promotion of the product. The producer uses this route of marketing for saturating the market with the product.

Push and pull marketing strategies

1. Push strategy

A push promotional strategy involves taking the product directly to the customer via whatever means, ensuring the customer is aware of your brand at the point of purchase.

"Taking the product to the customer"

Examples of push tactics

- Trade show promotions to encourage retailer demand
- Direct selling to customers in showrooms or face to face
- Negotiation with retailers to stock your product
- Efficient supply chain allowing retailers an efficient supply
- Packaging design to encourage purchase
- Point of sale displays

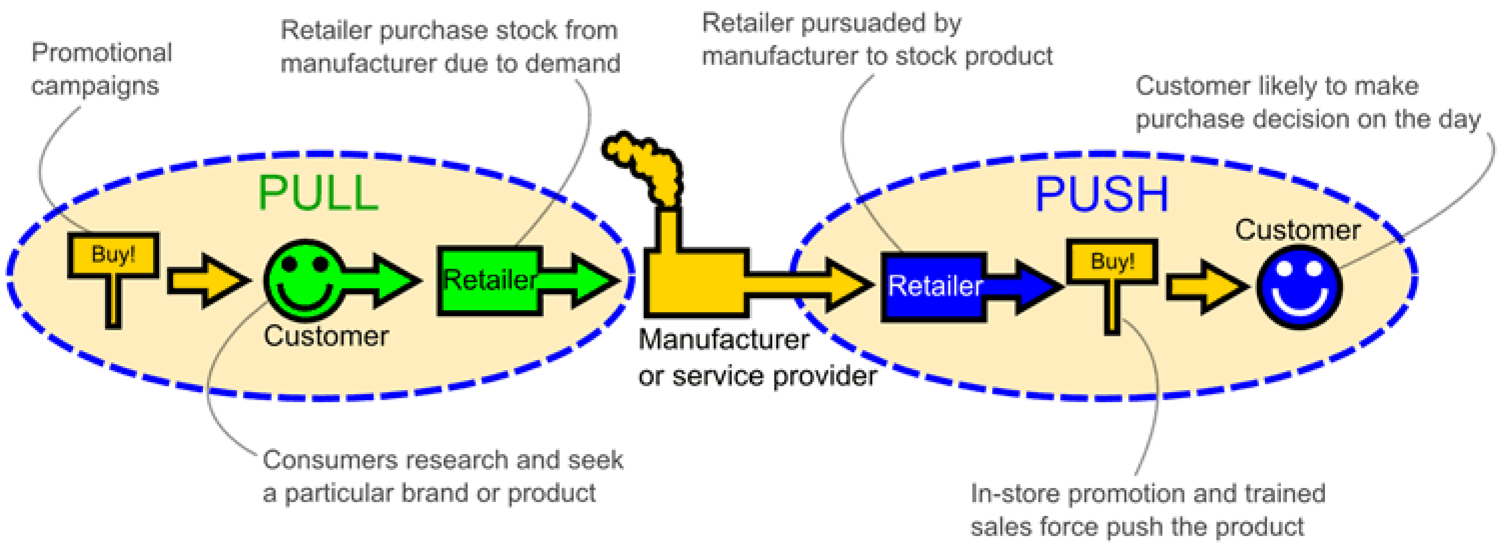
2. Pull strategy

A pull strategy involves motivating customers to seek out your brand in an active process.

"Getting the customer to come to you"

Examples of pull tactics

- Advertising and mass media promotion
- Word of mouth referrals
- Customer relationship management
- Sales promotions and discounts



Push strategy explained

The term 'push strategy' describes the work a manufacturer of a product needs to perform to get the product to the customer. This may involve setting up distribution channels and persuading middle men and retailers to stock your product. The push technique can work particularly well for lower value items such as fast moving consumer goods (FMCGs), when customers are standing at the shelf ready to drop an item into their baskets and are ready to make their decision on the spot. This term now broadly encompasses most direct promotional techniques such as encouraging retailers to stock your product, designing point of sale materials or even selling face to face. New businesses often adopt a push strategy for their products in order to generate exposure and a retail channel. Once your brand has been established, this can be integrated with a pull strategy.

Pull strategy explained

'Pull strategy' refers to the customer actively seeking out your product and retailers placing orders for stock due to direct consumer demand. A pull strategy requires a highly visible brand which can be developed through mass media advertising or similar tactics. If customers want a product, the retailers will stock it - supply and demand in its purest form, and this is the basis of a pull strategy. Create the demand, and the supply channels will almost look after themselves.

Role and Significance/Importance of Distribution Channels

Dristribution Channels perform a crucial role in the successful distribution and marketing of all products. They have various contacts, expertise and wider knowledge of the products. The rapidly growing markets and increasing complexities of distribution have increased the demand and requirement of the distribution channels.

The role of distribution channels can be summarised as follows:

1. **Distribution channels offer salesmanship:** The distribution channels offer pivotal role of a sales agent. They help in creating new products in market. They specialize in word of mouth selling and promotion of products. They assure pre-sale and post-sale service to the consumers. Since these channels are in direct and regular contact with the consumers, they do salesmanship very well and at the same time provide true and valuable feedback to the producers.
2. **Distribution channels increase distributional efficiency:** The intermediary channels ease the sales process as they are in direct contact with the customers. They narrow down the gap between producers and consumers both ecoomically and efficiently. These intermediaries reduce the number of transactions involved in making products available from producers to consumers. For instance, there are four producers who are targeting to sell their products to four customers . If there is no distribution channel involved, then there will be sixteen transactions involved. But if the producers use distribution channels, then the number of transactions involved will be reduced to eight(four from producer to intermediary and four from intermediary to customer), and thereby the transportation costs and efforts will also be reduced.
3. **The channels offer products in required assortments:** Just like the producers have expertise in manufacturing products, similarly the intermediaries have their own expertise. The wholesalers specialize in moving and transferring products from various producers to greater number of retailers. Similarly, the retailers have expertise in selling a wide assortment of goods in less quantity to a greater number of final customers. Due to the presence of distribution channels(wholesalers and retailers), it is possible for a consumer to buy the required products at right time from a store conveniently located(geographically closer) rather than ordering from a far located factory. Thus, these intermediaries break the bulk and meet the less quantity demand of the customers.
4. **They assist in product merchandising:** It is actually the merchandising by intermediaries which fastens the product movement from the retail shop desk to the customer’s basket. When a customer goes to a retail shop, he may be fascinated by the attractive display of some new product, may get curious about that new product, and he may switch over to that new product leaving his regular product. Thus merchandising activities of the intermediaries serve as a quiet seller at a retail store.
5. **The channels assist in executing the price mechanism between the firm and the final customers:** The intermediaries help in reaching a price level which is acceptable both to the producers as well to the consumers.
6. **Distribution channels assist in stock holding:** The intermediaries perform various other functions like financing the products, storing the products, bearing of risks and providing required warehouse space.

Thus, the distribution channels are a vital constituent of a firm’s comprehensive marketing strategy. They assist in expanding product reach and availability, as well in increasing revenue.

4th P of Marketing Mix -- Promotion mix

Marketing Communications Process

It is important to understand the process of Marketing Communications. The process is as follows: Sender, Encoding, Transfer Mechanism, Feedback, Response and Decoding.

- The SENDER is typically the company that produces the product.
- ENCODING involves communicating the message in understandable terms for the consumer. In some companies, this person is identified as the Marketing Manager.
- TRANSFER MECHANISM is the medium that will be used to "transfer the message".
- DECODING is how the customer interprets the message.
- RESPONSE is how the customer reacts to the message. Will the customer purchase the product?
- FEEDBACK measures how successful the advertising campaign was.

Example of a Marketing Communications Strategy:

SENDER – Clothing manufacturer
ENCODING – Marketing Manager at the clothing manufacturer
TRANSFER MECHANISM – Television ad
DECODING – Customer sees the television ad and keeps it in mind
RESPONSE – Customer goes to the store and purchases the new product (item of clothing)
FEEDBACK – Information that customers are responding positively to the message

Marketing Communication Process Steps

There are certain steps that should be involved in the effective marketing communication process. Themarketing and promotional activities should focus on these steps in order to attract a huge portion of long run customers. Following are the steps that make communication process effective.

- Identification of the Target audience
- Determination of the communication objectives
- Designing of Message
- Message Content
- Message Structure & Format
- Choosing Media
- Collecting Feedback

1. **Identification of the Target Audience**:

The first step in the effective marketing communication process is to identify the target audience. These audiences may be potential customers or other people that can influence the decisions of these customers. The audience may include the individuals, groups, general public or special public. The audience has a direct effect on the decisions of the communication, like what to say? How to say? And when to say? Etc.

2. **Determination of the Communication Objectives**:

In this step the marketing communicator should clear the objectives of the communication process. In most of the situations, the purchase is required by the marketing communicator, but purchase is made after a prominent customer decision making process. The communicators should also understand the standing position of the customer. Generally there are six **Stages of Customer Readiness** through which a customer pass to make a purchase which are as follow.

- Awareness

- Knowledge
- Liking
- Preference
- Conviction
- Purchase

The target group of the marketing communicator is not much familiar with the new product or its silent features. So the marketing communicator should create the awareness and knowledge of its new product and features. But this is not the surety to the success; the new product should also provide superior customer value too.

3. **Designing of the Message**:

In this step the **marketing communication**, communicator focuses upon the design of the message. Any message that can attract the attention, develop the interest, arousal of desire and stimulate the action is the effectively designed message. This procedure is best known as AIDA model that can make any message effective and potential. Besides this the marketing communicator also decides about the content and structure of the message.

4. **Message Content**:

In this step of the marketing communication process the content of the message is decided. The theme or an appeal is suggested that can bring the desired response from the audience or receiver. Following are the three appeals that should be used in this regard.

- **Rational appeal**:

The self interest of the audience is focused on the rational appeal in which the benefits availed by the usage of the products or services.

- **Emotional Appeal**:

In this case positive or negative emotions are stimulated to encourage the purchase of the product.

- **Moral Appeal**:

In this situation the morality is included in the message to influence the targeted customers.

5. **Message Structure & Format**:

In this step the important issues of the message structure together with the message format is analyzed. In marketing communication of a product, it must be decided that the message must include the conclusion or may keep to the audience to get a conclusion from them. Or the massage presents either only the strengths of the product or both the strengths and weaknesses. Moreover the format of the message is also focused on which the size and shape use, eye-catching colors, and headlines etc are decided in the most effective manner.

6. **Choosing Media**:

The channels of communication are decided in this step of a marketing communication process, which may take the following two forms.

- **Personal**:

In this **channel of communication** two or more persons directly communicate with each other like face to face, through the mail, on the telephone, or through a chat on the internet. Personal Addressing and feedback is allowed in the personal communication.

- **Non Personal**:

Non personal messages are spread through these channels which also excludes the option of feedback. Such channels include print media, display media, broadcast media, online media etc.

7. **Collecting Feedback**:

This is the last step of the marketing communication process in which the feedback from the target customers. This can help the marker to alter the promotion program or other marketing activities. For this purpose the buying behavior of targeted customers is analyzed in the light of the new product. Questions may also be asked to the customers to collect their views about the positive and negative aspects of the new product.

Public Relations

Public relations (PR) is the way organisations, companies and individuals communicate with the public and media. A PR specialist communicates with the target audience directly or indirectly through media with an aim to create and maintain a positive image and create a strong relationship with the audience. Examples include press releases, newsletters, public appearances, etc. as well as utilisation of the world wide web.

PR Tools and Techniques

PR specialists and firms use a number of tools and techniques to boost their clients' public image and help them form a meaningful relationship with the target audience. To achieve that, they use tools such as news releases and statements for media, newsletters, organisation and participation at public events conferences, conventions, awards, etc.. PR specialists of course also utilise the Internet tools such as social media networks and blogs. Through the mentioned tools, PR specialists give the target audience a better insight into their clients' activities and products/services as well as increase publicity.

Publicity

Publicity in its simplest form is the means of conveying information to the general public through the media. The information being publicized could be news, awareness about a product and service, etc. It is the process of creating awareness of new products and services.

Depending on the type of product or service being publicized, certain categories of people may be the target audience.

Benefits of Publicity

- Publicity can be hard to secure but if you can publicity brings along with it several benefits including -
- Publicity is the low-cost or no-cost option.
- Publicity positions your business and the principals of that businesses as experts in your industry.
- Publicity helps your business to stand out and be noticed.
- Publicity can help in the development of partnerships and strategic alliances.

- Publicity builds your credibility and propels you into a competitive position.

Types of media used in advertising

The major media generally used by companies for advertising their product are:

I.Broadcast media: comprising of radio and television.

II.Print media: comprising of newspapers and magazines.

III.Outdoor advertising : which is done though billboards, displays ,electric boards and has often been protested by environmentalists. Such advertisements may also be seen in buses and moving vehicles.

IV.Online advertising : via emails etc.

V.Other media : like movie halls, in flight commercials, yellow pages, pamphlets etc.

Importance of Media

1. Gives us immense knowledge & transmits information – Media keeps us informed about various happening around the world. It lets us know what is happening around us and all over the world. With the help of media, we get immense knowledge on various subjects. Media plays a vital role in the dissemination of information. It broadcasts, prints and updates information from time to time so that the general public stays aware of what is going on in the country and in the entire world.

2. Raises our consciousness – Media ignites awareness in us by providing information and knowledge. *It does not enforces its own opinion on us, but provides facts, figures and news to us so that we can analyze the information and can understand, what is wrong and what is right*?

3. Raises voice against social evils – Media also plays a constructive role for the society by raising social issues. *Presently, there are many examples of social evils like dowry, female foeticide, gender discrimination, etc. that have been raised by media.* When media presents and unveils such issues, the public becomes aware and the necessary steps are taken for resolving the issues! Media also helps reach the voice of masses to the concerned authorities.

4. Provides true pictures and live telecast for various events – Be it the cricket world cup, FIFA matches, our prime minster or president addressing the nation, the areas affected by flooding or just any other incident, media helps us see the true picture by providing the LIVE or recorded telecast for almost all important events.

5. Educates the society – One of the most important roles of media is to educate the society. We can explore and analyze various product reviews, do price comparison for various items, read news about politics, fashion, war, weather, health and much more with the help of media. Media exposes issues like poverty, illiteracy, social backwardness, etc., and educates people on the same. It also educates people about their rights and duties and helps enforce law as well.

In – house merchandising

Merchandising is any practice which contributes to the sale of products to a retail consumer. At a retail in-store level, merchandising refers to the variety of products available for sale and the display of those products in such a way that it stimulates interest and entices customers to make a purchase.

In retail commerce, visual display merchandising means merchandise sales using product design, selection, packaging, pricing, and display that stimulates consumers to spend more. This includes disciplines and discounting, physical presentation of products and displays, and the decisions about which products should be presented to which customers at what time.

The 8 Step Personal Selling Process

Personal selling is the most expensive form of advertising and to be effective one should use a step by step process to gain the most benefit. Personal selling can adjust the manner in which facts are communicated and can consider factors such as culture and behaviour in the approach. They can ask questions to discover the specific need of the customer and can get feedback and adjust the presentation as it progresses.

The Personal Selling Process

The personal selling process is a consecutive series of activities conducted by the salesperson, the lead to a prospect taking the desired action of buying a product or service and finish with a follow-up contact to ensure purchase satisfaction.

Step One

Prospecting - the first step in the personal selling process

The process of looking for and checking leads is called prospecting or determining which firms or individuals could become customers.

Up to 20% of a firm's customer base can be lost for reasons such as transfer, death, retirement, takeovers, dissatisfaction with the company and competition. A steadily growing list of qualified prospects is important for reaching the sales targets.

Qualifying a prospect: A lead is a name on a list. It only becomes a prospect if it is determined that the person or company can benefit from the service or product offered. A qualified prospect has a need, can benefit from the product and has the authority to make the decision.

Step Two

The Pre-approach

This stage involves the collecting of as much relevant information as possible prior to the sales presentation. The pre-approach investigation is carried out on new customers but also on regular customers. Systematic collection of information requires a decision about applicability, usefulness and how to organise the information for easy access and effective use.

Step Three

The Approach

The salesperson should always focus on the benefits for the customer. This is done by using the product's features and advantages. This is known as the FAB technique (Features, Advantages and Benefits).

*** Features : Refers to the physical characteristics such as size, taste etc.**

*** Advantages : Refers to the performance provided by the physical characteristics eg it does not stain.**

*** Benefits : Refers to the benefits for the prospect. Eg. Saves you 20% on replacement cost.**

Step Four

The Sales Presentation

After the prospects interest has been grasped, the sales presentation is delivered. This involves a "persuasive vocal and visual explanation of a business proposition". It should be done in a relaxed atmosphere to encourage the prospect to share information in order to establish requirements. Some small talk may be necessary to reduce tension but the purpose always remains business.

Step Five

The Trial Close

The trial close is a part of the presentation and is an important step in the selling process. Known as a temperature question - technique to establish the attitude of the prospect towards the presentation and the product.

Step Six

Handling Objections

Objections are often indications of interest by the prospect and should not be viewed with misgiving by salespeople. The prospect is in fact requesting additional information to help him to justify a decision to buy. The

prospect may not be fully convinced and the issues raised are thus very important. It also assists the salesperson to establish exactly what is on the prospect's mind.

Step Seven
Closing the Sale
This is the last part of the presentation. Many salespeople fear the closing of a sale. Closing a sale is only the confirmation of an understanding. Fear will disappear if the salesperson truly believes that the prospect will enjoy benefits after the purchase of the product.

Step Eight
The Follow-up
The sale does not complete the selling process. Follow-up activities are very important and are useful for the establishment of long-term business relationships. It is important to check if the products have been received in good condition, to establish the customer is satisfied etc.

Types of Sales Promotions

A list of 10 popular sales promos to help steer you in the right direction…

1. Discounted products

Adding a discount to your products is possibly the most popular type of promotion. Customers love to grab a bargain, so it makes sense to offer discounts every now and then. When it comes to deciding the way you choose to promote - % vs $ - think about what will look more attractive to the buyer. Always consider your bottom line and be sure to not constantly have a sale, as people will just come to expect this as the norm.

- Make sure your discount is attractive
- Consider your bottom line
- Don’t do it too often

2. Free Shipping/Free Returns

According to this WalkerSands **infographic**, 80% of consumers would be more tempted to buy from Amazon if they were offered free shipping. 66% would buy if they were offered next-day delivery and 64% said they would buy if they were offered free returns. Free shipping and returns gives the customer a sense of security that they wont lose out if they wanted to send the product back.

If you are worried about your margins then you can always incorporate the shipping cost into your product, or think about offering free shipping when a customer spends over a certain amount.

- Free shipping/free returns creates customer security
- Makes it hassle free
- Incorporate shipping cost into your product

3. Flash Sale

A flash sale is basically an offer that only lasts for a limited time and it's a great way to create a sense of urgency for the customer to buy. Many retailers are now adopting this strategy as a way to sell more products and get rid of surplus stock. **Monetate** found that 56% of businesses agree that flash-sale campaigns are better received than regular campaigns. The more successful flash sales are ones that don't last very long and 50% of purchases occur during the first hour of a flash sale.

- Market your flash sale with a recognizable visual
- Put a shorter duration on your sale
- Promote via email and on social

4. Buy More, Save More

This kind of deal entices the customer to buy more of your stock, so it's kind of a win, win. There will be plenty of potential customers visiting your store that want to buy, but feel guilty because of the price. Giving them a discount if they spend more, may just give them a little shove in the right direction. You don't have to offer a huge discount, but make sure it's attractive enough to convert visitors.

- Entices the customer
- Takes away the guilt of spending more money
- Helps to sell more stock

5. Product Giveaways/Branded Gifts

Let's be honest, everyone loves a freebie so this really is a great promotion. Not only does it give potential customers the chance to test out your product, but also it entices people to buy your stuff! If your product isn't something that you can giveaway, then think about creating some useful branded gifts that you can offer with each purchase. Think along the lines of keychains, bumper stickers, magnets, pens etc. Customers will appreciate the gesture and will think of you whenever they see their branded gift.

- Lets customers test your product
- Makes your brand memorable
- Provides value and a reason to buy

6. Loyalty Points

Rewarding your customers will help you build a solid base of loyal fans and it will entice people to shop more at your online store. Providing **great customer service** is so important to the success of your business, and offering a loyalty point system is a popular promotion. You could think about setting up a virtual card: The customer can gain points every time they buy and then use their points to get money off future purchases, or if they buy 9 items, they get the 10 th free.

- Builds a loyal customer base
- Provides better customer satisfaction
- Provide them with a loyalty system to keep coming back

7. Coupon Giveaway

This is a different way of promoting discounts. Sending your customers virtual coupons will make the promotion seem more exclusive and will give the customer more of a push to visit your online store. Think about sending coupons to loyal customers that have spent over a certain amount. You could also consider sending coupons to visitors that have experienced bad customer service, to try and convert them back to happy customers!

- Makes the promotion seem exclusive
- Keeps the customer happy
- Offers a great way to win back disgruntled customers

8. Competitions

The great thing about running a competition is that you only have to give away one thing, but you gain so much – making it a popular type of promotion! It will not only help raise your profile, but every person that enters, will then become an email contact that you can try and convert into a sale. If they're entering your competition, chances are they are interested in your products, so running a competition is a great idea – particularly for start-ups.

- Great way to gain email sign ups
- Helps you raise your profile
- It will create a buzz on social media

9. Price Match Promise

Price match promise has fast become one of the most popular ways to promote your brand, particularly if you have a lot of competitors out there. It allows your customers to shop with you and will be safe in the knowledge that if they can get it cheaper somewhere else, you'll refund the difference. There's nothing to lose for them and it means that you still get to keep a solid customer base.

- Helps you stay ahead of the competition
- Provides a no lose situation for the customer
- It's a bold move that will build loyal customers

10. Holiday Promotions

There is a reason that holiday promotions are so successful. Customers always like to spend more around the holidays, making it the perfect opportunity for you to get your brand out there and sell more products. You don't have to go too crazy on your offers, but enticing customers with slight discounts will always work in your favor. It's also the perfect time to get creative with your promotion and use the theme of the holiday, to sell your products.

- You don't need to offer huge discounts
- Get creative with your promotions
- You will sell more during the holidays

5th P of Marketing Mix --People

One of the essential elements of the **marketing mix** is people. This includes everyone who is involved in the product or service whether directly or indirectly. Not all of these people get in touch with the customers. But all these people have their own roles to play in the production, marketing, distribution, and delivery of the products and services to the customers.

The 5th P in the **Marketing Mix**
Modern marketing theories place people as the 5th P in the marketing mix, joining the other 4 Ps namely: product, promotions, price, and place. Without people, all these other Ps will not complete a successful marketing formula. This aspect refers to those who are employed by the company to: design, develop, and manufacture the products; do market research to establish demand and determine customer needs; manage the supply chain to ensure timely delivery; provide support services; and serve as touch points for customer interaction among others.

People/ Employees Who Make the Products
Aside from the management team, there are people down the line who are responsible for coming up with the products and services of the company. Companies should take time to hire people who have the competence and expertise in the particular industry they are operating in. This is true for people in the entire organization, from the managers down to the ordinary workers. Investing in high caliber people will allow businesses to come up with the

best products and services for their target customers. Having these people represent the company will also give the company a positive image in the eyes of the consumers. It goes without saying that such positive image attracts sales.

People/ Employes Who Talk to the Customers

Companies no matter how big or small require customer service to support their products and services. They should have the right kind of people manning their customer touch points. For a lot of customers, this could actually make or break a deal. Customers always want to be assured that they can talk to people who are willing and able to help them in case they have problems or concerns with the products they bought or the services they availed of. Companies should ensure that they have customer-friendly people who are ready to serve their customers' needs.

Customer service people can actually serve as a differentiating factor versus other competitor companies. There are products that serve the same purpose and are configured the same way. Customers, in these cases, look for brands and companies that can offer them exceptional customer service. It pays, therefore, for companies to invest in training their customer service personnel. This should encompass both the technical as well as the personal aspects of the job. This means that they should be knowledgeable about the specifications of their products and services. At the same time, they should also be personable and have the genuine desire to serve.

Customers

Regardless of media, good business comes down to a simple process of identifying customers, learning what they want or need, feeling their challenges, learning how they communicate with one another, and observing how they discover and share information. Yet, many businesses approach what is a natural bottom-up occurrence through a top-down system of pushing information, pulling would-be customers through funnels, and confining them to artificial feedback loops. To put it simply, if we visit the traditional 4P's of marketing of Price, Place, Promotion and Product, the key ingredient of favorable engagement and business outcomes is the very thing that's been missing all along, People – you, me and the individuals who invest in products and sometimes the brands behind them.

Even though businesses are experimenting with engagement in Facebook, Twitter, forums, comments, et al., I'm not convinced they see us beyond our avatars. Nor do they view our communities as influential cliques, but rather as rudimentary clicks. Many businesses don't take the time to get to know us, yet they invest in new media as an attempt to build relationships without understanding why we engage.

The bottom line is that customers are not necessarily looking to build relationships with brands. They're, we're, looking for solutions, direction, insights, and value. Information, contests, and clever videos are now commodities that contribute to the already clogged arteries of new media. But every day, companies ask customers to "Like" them on Facebook and "follow" them on Twitter weighing the extent of their efforts on the quantity of the 3F's (friends, fans and followers) in addition to traffic, click throughs, and views. It's no wonder why so many pundits debate the value of ROI when businesses are still not defining the "R" or the return we seek nor are brands defining outcomes.

We're not driving experiences, we're reacting to them.

We're not introducing meaningful value, we're pushing content and creative.

We're not designing programs around intelligence, we're focused on monitoring.

PHYSICAL EVIDENCE

PHYSICAL EVIDENCE The elements of' **marketing**mix which customers can actually see or experience when they use a **service**, and which contribute to the perceived quality of the **service**, e.g. the **physical evidence** of a bank could include the state of the branch premises, as well as the delivery of the banking **service** ..

Physical Environment

The physical environment is the space by which you are surrounded when you consume the service. So for a meal this is the restaurant and for a journey it is the aircraft that you travel inside. The physical environment is made up from its ambient conditions; spatial layout and functionality; and signs, symbols, and artefacts (Zeithaml 2000).

Ambience

The ambient conditions include temperature, colour, smell and sound, music and noise. The ambience is a package of these elements which consciously or subconsciously help you to experience the service. Ambience can be diverse. The ambience of a health spa is relaxing and calm, and the music and smells underpin this experience. The ambience of a nightclub will be loud noise and bright lights which enhance this customer experience, obviously in a different way. The marketer needs to match the ambience to the service that is being delivered.

Spatial Layout

The spatial layout and functionality are the way in which furniture is set up or machinery spaced out. Think about the spatial layout of your local cinema, or a church or temple that you have visited and how this affects your experience of the service. Functionality is more about how well suited the environment is to actually accomplish your needs. For example is the seat in the cinema comfortable, or can you reach your life jacket when on an aircraft?

Corporate branding (signs, symbols and artefacts)

Finally corporate image and identity are supported by signs, symbols and artefacts of the business itself. Examples of this would be the signage in Starbucks which reassures the consumer through branding. When you visit an airport there are signs which guide you around the facility smoothly, as well as statues and logos displayed throughout the complex. This is all important to the physical evidence as a fundamental element of the services marketing mix. There are many examples of physical evidence, including some of the following:

- The building itself (such as prestigious offices or scenic headquarters). This includes the design of the building itself, signage around the building, and parking at the building, how the building is landscaped and the environment that surrounds the building. This is part of what is known as the servicescape.
- The interior of any service environment is important. This includes the interior design of the facility, how well it is equipped, internal signage, how well the internal environment is laid out, and aspects such as temperature and air conditioning. This is also part of the servicescape.
- Packaging.
- Internet/web pages.
- Paperwork (such as invoices, tickets and dispatch notes).
- Brochures.
- Furnishings.
- Signage (such as those on aircraft and vehicles).
- Uniforms and employee dress.
- Business cards.
- Mailboxes.

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7th P of Marketing Mix -- Process

Process is another element of the services marketing mix or 7Ps.There is a number of perceptions of the concept of process within the business and marketing literature. Some see processes as a means to achieve an outcome, for example – to achieve a 30% market share, a company implements a marketing planning process.

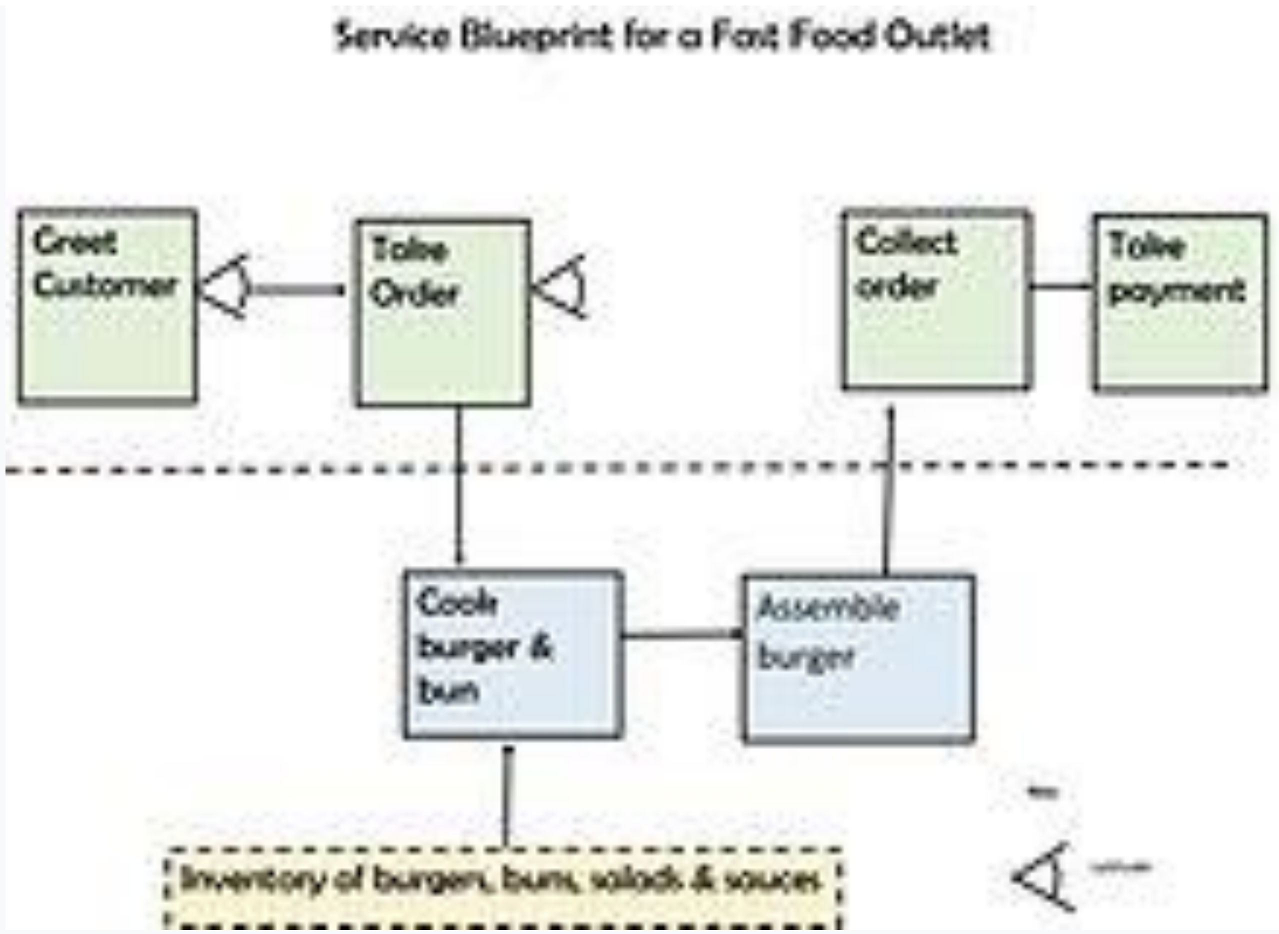
Process as part of the marketing mix

The **service blueprint** is a technique originally used for service design and innovation, but has also found applications in diagnosing problems with operational efficiency..[1] The service blueprint is an applied process chart which shows the service delivery process from the customer's perspective. The service blueprint has become one of the most widely used tools to manage service operations, service design and service positioning.

Blueprint Elements[edit]

A simple way to think about blueprints is as a process chart which consists of inputs, process and outputs.

Inputs (raw materials) → Process (transformation)→ Outputs (finished goods)



Service blueprints include actions and the amount of discretion for varying each step

A service blueprint is always constructed from the customer's perspective. A typical service blueprint identifies: [2]

- Customer Actions: The steps that customers take as part of the service delivery process.
- Front-stage (Visible Contact Employee) Actions: Steps taken by contact employees as part of the face-to-face service encounter.
- Back-stage (Invisible Contact Employee) Actions: (The ‘line of visibility’ separates the front-stage and back-stage actions). Non-visible steps taken by contact employees behind the line of visibility. e.g. taking a hotel or restaurant reservation by telephone.
- Support Processes: Activities carried out by employees who are not contact employees, but whose actions are required for the service to be delivered.
- Physical Evidence: Tangible elements associated with each step that has the poential to influence customer perceptions of the service encounter e.g. uniforms, delivery vans
- Inventory (if required): the amount of inventory build up required for each step
- Line of Visibility: Line that separates front-stage and back-stage actions

Optional inclusions - depending on intended application: [3]

- Line of Interaction which separates customer actions from service provider actions
- Line of Internal Interaction which separates the front office and the back office
- Line of Implementation which separates management zone from the support zone. That is management are responsible for planning and controlling while support activities include preparation. Yet other scholars and practitioners have recommended adding different lines including
- Line of Order Penetration which separates customer-induced activities from customer-independent activities
- Minimum expected wait times
- Potential bottlenecks and/or fail points [4]

A **service delivery** framework (SDF) is a set of principles, standards, policies and constraints to be used to guide the designs, development, deployment, operation and retirement of **services delivered** by a**service** provider with a view to offering a consistent**service** experience to a specific user community in a specific

Service delivery is a component of business that defines the interaction between providers and clients where the provider offers a service, whether that be information or a task, and the client either finds value or loses value as a result. Good service delivery provides clients with an increase in value.

One of the most common areas of service delivery is through ITIL, also known as an information technology infrastructure library. Throughout the service delivery process of ITIL, service providers work to clearly define the content of services, clearly define the roles and responsibilities of the customers and users, clearly define the roles and responsibilities of the service providers and set service quality expectations as well as availability and timeliness.

Service delivery can be found in many different professions and company structures, such as medical hospitals and IT companies. IT has its own set of standard service delivery practices that are followed by most companies. In these practices, service level management is as important as service level delivery. Service level management provides a framework where services are defined and levels of service support are agreed upon. There are service level agreements and operational level agreements that are created. Additionally, the costs for services are developed. Service level management defines the IT and business roles and establishes clear goals for both roles.

UNIT 3

Consumer Behaviour

Consumer behaviour is the study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy their needs and wants. It is also concerned with the social and economic impacts that purchasing and consumption behaviour has on both the consumer and wider society.[1] Consumer behaviour blends elements from psychology, sociology, social anthropology, marketing and economics, especially behavioural economics.

Important factors that influence consumer behaviour

You for sure might be wondering as to what is it that influences these consumers, how do we analyzes when is their purchase pattern going to change. Of course only the influencing factors will confirm what will change the consumers buying pattern.

We have four main factors that affect consumer behaviour they are;

1. Cultural factors

Culture plays a very vital role in the determining consumer behaviour it is sub divided in

- **Culture**
  Culture is a very complex belief of human behaviour it includes the human society, the roles that the society plays, the behaviour of the society, its values customs and traditions. Culture needs to be examined as it is a very important factor that influences consumer behaviour.
- **Sub-Culture**

Sub-culture is the group of people who share the same values, customs and traditions. You can define them as the nation, the religion, racial groups and also groups of people sharing the same geographic location

- **Social Class**

  Society possesses social class; in fact every society possesses one. It is important to know what social class is being targeted as normally the buying behaviour of a social class is quite similar. Remember not just the income but even other factors describe social class of a group of consumers.

2. Social Factors

Social factors are also subdivided into the following

- **Reference groups**

  Under social factors reference groups have a great potential of influencing consumer behaviour. Of course its impact varies across products and brands. This group often includes an opinion leader.

- **Family**

  The behaviour of a consumer is not only influenced by their motivations and personalities but also their families and family members who can two or more people living together either because of blood relationship or marriage.

- **Role and status**

  People who belong to different organizations, groups or club members, families play roles and have a status to maintain. These roles and status that they have to maintain also influences consumer behaviour as they decide to spend accordingly.

3. Personal factors

A number of personal factors also influence the consumer behaviour. In fact this is one major factor that influences consumer behaviour. The sub factors under personal factor are listed below.

- **Age and life cycle stage**

Age of a consumer and his life cycle are two most important sub factors under personal factors. With the age and the life cycle the consumers purchase options and the motive of purchase changes, with his decisions of buying products change. Hence this stage does affect consumer behaviour.

- **Occupation**
  Occupation of a consumer is affects the goods and services a consumer buys. The occupations group has above average interest in buying different products and services offered by organizations. In fact organizations produce separate products for different occupational groups.
- **Financial or economic situations**
  Everything can be bought and sold with the help of money. If the economic situation of a consumer is not good or stable it will affect his purchase power, in fact if the consumers or the economy of a nation is suffering a loss it defiantly affects the consumers purchase or spending decisions.
- **Life style**
  People originating from different cultures, sub cultures, occupations and even social class have different styles of living. Life style can confirm the interest, opinions and activities of people. Different life styles affect the purchase pattern of consumers.
- **Self concept and personality**
  Every individual is different and have different and distinct personalities. Their distinct personalities and distinct physiology effects their buying decisions. Hence purchase of products and services defers from person to person.

5 steps in consumer buying behavior

A consumer takes decisions based on many criteria. However, the triggers of consumer purchases happen much before the actual purchase itself. This is where marketing plays its part. Marketing & Advertising look to change or affect the consumer buying behavior, so that the consumer prefers buying the product of a company he is well aware of (and one which has been well marketed).

However, if you want to look at the consumer buying behavior of the 21st century, you have to acknowledge that consumerism is playing a major role in their decision making. The consumers are getting used to their regular brands and they hardly shift from these brands. Accordingly, there are three levels of involvement of a consumer towards the purchase of a brand. Depending on these levels of involvement, consumer buying behavior may vary.

Step 1 of consumer buying behavior – Problem recognition

It all starts when a customer realizes a need or a problem. When you are in college, your need is for courses which throw light on specific subjects. This is why the education sector is thriving. There are specific needs of customers – some requiring science classes, others math.

As you move on from college to a professional life, your needs, wants and demands change. You may want better clothes, a car, a house and all the comfort and amenities that money can provide. When you get married, you will be looking for vacations as well as investment and saving options. So on and so forth, you get the drift.

In all stages of life, humans are customers of one company or another. And they keep having more requirements and needs which have to be fulfilled. These requirements may be low involvement ones, or high involvement ones. The first step of consumer buying behavior starts when the customer realizes that he wants or needs something.

Step 2 of consumer buying behavior – Information search

Let us continue the above example to understand the 2nd step of consumer buying behavior. When you are in college and you need extra courses, don’t you search for all the alternatives out there? The different classes and tutorials which teach different subjects?

Similarly, don’t get me started on the level of options available for youngsters, bachelors as well as married people. Clothes, cars, shoes, whatever product you may pick, has ample options available for customers, in terms of brand as well as in terms of product differentiation.

So the first thing a consumer does when he realizes he needs something is – He sets out to get more information. A person buying clothes will visit all retail stores. Same for a person buying shoes or watches. However, what would a person buying toothpaste do? Will he step out each time he has to buy toothpaste and collect information?

No, he won't. There are products in which the customer gains information for the first time, but after that, because of the low involvement of the purchase, this step is ignored completely. My favorite toothpaste is Colgate. But every time i have to buy toothpaste, i don't check the advantages of buying Pepsodent or Sensodyne. I buy Colgate.

So, the extent of information search depends completely on the level of involvement of customers in the purchase. The major source of information for customers, and the sources which influence consumer buying behavior heavily are – Friends, commercials & advertisements, Public and experience.

Step 3 of consumer buying behavior – Evaluation of alternatives

The best way to explain the evaluation of alternatives is the image below

As seen in the image, the total brands considered in the start by the customer are 5. Whereas, he has finalized 1 brand in the end. This means, that there are 80% brands which are rejected by customer. Now this is just a simple example. But this is what is happening in the real market. Brands are being rejected by customers based on a number of aspects such as price, features, color, benefits etc.

So, when a customer has all the information, he starts considering the alternatives and weighs the factors against each other. This is where many of the E-commerce companies benefited in the long run. A store executive, who was not well informed, was unable to give all the information to consumers.

What the E-commerce companies did was allow comparisons between multiple products, thereby allowing consumers to evaluate alternatives while from the comfort of their home or office. Naturally, with such insight into consumer buying behavior, online purchases increased because consumers were able to compare between products, evaluate the alternatives and make purchase decisions accordingly.

It is important that i also mention the various factors which influence the evaluation of alternatives as well. For example – the above image has only sports shoes brands which the customer is considering. However, if the customer wanted to purchase formal shoes, his consideration of brands would have changed. Thus, customers current needs, his financial standing, psychography and many such things influence the alternatives which the customer will consider.

Step 4 of consumer buying behavior – Purchase

This is the simplest stage of the consumer buying behaviorIf purchase was so simple, there would not be a line of men in a ladies retail store, sitting idly when women make their decision on which dresses to buy. So the purchase decision is not easy.

Once the consumer has considered the alternatives of each brand in his kitty, he will then have his own internal stuggle as to factors which are important and factors which are not. So, while buying shoes, one customer might think that the looks of the shoes are the most important, whereas other might think that he needs a light shoe, which is light on his feet and hence can help him while jogging or running.

This purchase is again influenced by many factors which also played its role in the evaluation of alternatives. For example – our dear customer does not have a good financial standing. In that case, he will never consider shoes like Adidas, Reebok or even Lee Cooper. He will consider local made shoes which fit in his budget.

Secondly, if the climate changes and the customer is faced with upcoming summers or winters, then again his purchase decisions will change based on the current situation. In essence, the customer considers all the alternatives, chooses which factors are most important to him as per the situation, and then finally makes the purchase decision.

The purchase of the product, depends on the values, attitude and lifestyle which defines the customer.

Step 5 of consumer buying behavior – Post purchase behavior.

The whole prospect of customer relationship management software’s as well as the concept in itself, is based on post purchase behavior. Marketers want their customers to be happy even after the purchase of the product. If the customer is not happy, he is likely to leave the product or bad mouth it. Worse, if there are issues in the product, the customer can go legal and spoil the name of the brand.

Hence, many companies take proactive steps in keeping customers satisfied or even delighted so that they are happy with the brand and don't switch. Above is an image of Duracell Ultra which allows customers to check their battery levels while using the battery. Similarly, Oral B, has indicators which indicate when the toothbrush has crossed its expiry date.

These are tactics that ensure that post purchase, the customer remains happy. Many automobile manufacturers nowadays have their own second hand purchase showrooms. This is because they know that post purchase, customer will like to sell their existing cars after a certain period of time. At the same time, there are other customers who are ready to buy second hand cars. So why not help both by having an authorized resale counter?

Hence, the use of CRM is very common to influence consumer buying behavior. I love it when i call Domino's and they have my address and number saved. I don't have to repeat it each time. I also love it, when they remind me of any offers that are currently going on (i am a pizza fan).

Overall, these 5 stages of consumer buying behavior are stages each customer goes through when they are purchasing a product. The most vulnerable stage for the customer is the evaluation of alternatives. At this stage, the customer can be influenced the most, and hence most sales people are required to be communicative and charming, so that they can influence customers at this stage.

To take the perfect example, a single line at the McDonalds billing counter, "Would you like to have some fries with it" has given a turnover of millions to the company. Just before buying the burger, the customer is thinking whether he should buy the french fries or not. A poke by the executive, helps him make his decision (And being the junk food addicts that we are, we mostly say yes).

Online marketing has three core objectives:

1. Establish a Presence
2. Build Visibility
3. Generate Sales

Establish a Presence

Remember the old adage, "you only get one chance to make the first impression?"

There is more truth in this than many realize. When building a website or a landing page or your Facebook page, consider the fact that your presence online might be the very first impression that people have of you. How much more then do you want that impression to be the best?

From a content perspective, the words on the page really have to say something. Bring meaning, and resonate like you live in their closet. When you know your market and whom you serve, it is easier to say exactly the right things that draw them in.

Do not skimp on your image. Invest like you did on that first date. Remember how upset you got because those five hairs were out of place and would not get in line? That passion is what is needed to build a great presence.

Visibility

A great presence doesn’t make you visible. People need to know that you are out there. This often gets neglected. In talking with our friends at EBWAY, we learned that their number one complaint from their clients is that their website doesn’t do anything. We have heard similar stories from Matt Weeden MWDWeb and Rob Riggs at YDO.

It is work to get in front of folks. Blogging is a great example. The more blog posts you write, the more indexed pages that Google creates. This really makes you visible. Also, do not neglect SEO. Yes, it takes a while, but it pays off in building your brand. It’s a must have. Many people are still trying to figure out how to use Social Media, and the bottom line is that you simply have to roll up your sleeves and commit.

We have one client whom we have done some writing for on the social scene. Their industry is mundane, and it is hard to keep coming up with cool new stuff related to what they do. But, they live in the San Francisco general area, and it is World Series time. So, we started developing content around that, and the “likes” just started popping up all over the place. Now, our client’s name is getting in front of all of those people’s social network.

Sales

It is amazing how many people do not enter into online marketing with a plan for growing sales from their efforts. Even establishing goals would be helpful.

Once you set your basic objectives, you can develop a solid plan that includes critical milestones, the timeframes associated with those milestones and how you plan on achieving it all. This will help control your spend and allow you to throttle up or down your online marketing efforts.

For example, we often see people go at adwords with the mindset of, “I have $400/mo to spend.” That’s it! There is no goal on what that $400 will produce. And, they do not have the slightest idea as to whether $400 will produce one lead or one thousand. As we have written copy for ads and landing pages, we have learned a little from our friends who manage PPC. And, we can tell you that it’s hard work. There is a lot going on in managing the keywords, adjusting the ads, etc. It could cost more than $400 just to manage the campaign. But, the results are definitely there when the project is handled appropriately.

Our point is that the Internet has made it really easy for people to think that they can just jump in and do it themselves and see the same results as those who do it for a living. There are key elements that every online marketer addresses, and these often come with years of experience. Whether it is building a website, managing PPC or even writing your blog, we certainly believe that results are what we should focus on.

And, those results will be found from looking at the three core areas of online marketing and developing an actionable plan to achieving success.

10 steps to effective marketing online :

1. **The Importance of Google** – with approximately 80% of all searches being conducted via Google, it is critical to primarily focus SEO effort on this search engine. Yahoo and Bing, are less important but still an important part of search engine marketing.
2. **Keyword Selection** – Pick keywords that are relevant to your business but also fairly easy to rank for. Look for multi-word phrases or 'long-tail keywords' as they are usually less competitive
3. **Content is King** - Prospects are more likely to buy from you if you are a thought leader, so establish yourself as one by creating extraordinarily helpful content. Take decisive action to ensure prospective customers are attracted to your site as a place to find answers.
4. **Generosity is Also King** – Another key part to attracting customers is your generosity in giving away information, access to tools, etc., which also earns you inbound links which improves your search engine rankings.
5. **Social Media** – Focus on the top three social media venues: Twitter, Facebook, and LinkedIn. Remember, 'be real' and 'be there' to help the community rather than to push products.
6. **Calls-to-Action** – It's important to provide something of value that solves a problem for visitors in exchange for their contact information. Often traffic will not be ready to buy right away, but a tempting call to action will lead them down the sales funnel.
7. **Landing Pages** - Everything that has been done to draw qualified traffic to a site, from improving SEO, to generating great content comes to a head in the landing page. Leads should be confronted with an inescapable case for them to leave their carefully guarded personal information on the form. Having one offer, recapping benefits, and a short form are all key.
8. **Lead Nurturing** – follow up calls to action with a 'thank you' email and a lead nurturing campaign that further entices leads down the sales funnel with additional free offerings– this is a free opportunity to keep touch with a lead.
9. **Tracking Progress** – Effective Inbound Marketing is all about experimentation. Select a strategy based on experience with customers and industry to get people to both visit and convert on the website. But anticipate that initial assumptions about keywords, or what it takes to get traffic to convert will not be right (or not right enough) and changes will need to be made. For this reason, it is essential to have a complete internet analysis tool-suite to help figure out what's working and what's not.
10. **Patience & Tenacity** – It's easy to become discouraged and frustrated if Inbound Marketing is approached as a point solution. In reality, it's a long term strategy only rewarding those who approach it with patience and tenacity

Benefits of E- marketing

Cheaper and More Flexible than Offline Advertising

Advertising online is particularly different from print advertising as it is cheaper to do so for any businesses. Also Internet advertisement is accessible for a longer period of time benefiting the organisations and the content of the advertisement can be altered any time, without having to get someone to change it or spend more money on it potentially reaching a wider audience. So Internet advertisement is cheaper giving the business an advantage but this also is benefited to consumers as businesses will have more money to spend for their customer service; this is because they can provide training for their employees, creating a better way of using their business website, quicker delivery and with more capital to spend will let organisations provide more range of products for customers.

24/7 Presence

Internet marketing enables business to be accessed at any time of the day, beneficial for customers as they are able to search the internet for goods and products at a time that suits them. Customers do not have to spend quick time searching through goods on the internet like they have to do when a store is about to close at a specific time. The times most stores are open is the same time most people work so they are unable to buy goods so they use the internet more often.

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Offer Convenience

It is so much easier and suitable for a customer to research a product on the internet than visiting a shop physically. Internet marketing offers convenience for the customers as they do not have to search all over a sop for a particular product which waste time instead they can use search engines to find a particular product. Some businesses have names and codes for the products so that customers that viewed it before can keep a track of it if they wanted to see this again in their next visit.

Internet Users

It is believed that people aged between 2-24 uses the internet more than any other age groups. This may be because they are taught the skills of using ICT technology at schools, and more experienced researching online. Online businesses tend to target their audience in a similar aged group because they have more skills using the internet and also the younger generation seem to buy online more.

Growth Opportunity

Businesses are able to expand their products using the benefits of internet marketing for their customers. This is important for customers as they are able to get more out of a business such as a variety of products and services. They are able to use better website functions etc making it easier for them.

More Benefits

Not only can they use Internet at a time to suits them, but they are also able to compare brands, prices and buy goods and services without having a face a single sales person! This enables them to make a calculated decision free from sales pitch or emotional persuasion, so their decision is more likely to be clarified and deliberated. Buying over the Internet is quick, convenient and private. There is no need to drive anywhere, fight for a parking space, or battle through crowds of other consumers all doing the same thing. And indeed because of lower overheads for companies selling on the Internet, consumers are able to benefit from lower prices as these lower costs are often passed on to the consumer in the form of discounted prices.

These benefits are all related to ASOS as they have the same benefits to customers.

Improve Credibility

This is where customers are able to improve credibility for the business as they can send feedback to the businesses.

ASOS has Facebook, Bebo, Twitter and Bebo where customers can write comments and opinions. ASOS has also got a forum where customers can do this.

Availability

It is an advantage for customers to be able to access businesses website easily without having to put passwords, or going through security. If the products and services are available in certain way it will be easier for customers to view them for example putting the dresses apart from shoes so that customers would not have to search through many pages one by one to find what they want.

Better Prices

Online businesses are generally much cheaper than physical businesses. Organisations are able to provide much cheaper product online as they save money elsewhere in the business. Customers benefit from this as they can get their money worth and can buy the same kind of products in a store for lower price online. They would not have to pay for parking, or public transport fair etc.

ASOS prices are cheaper for the same products that are priced higher in stores. Also ASOS customers are able to view their price online and also compare prices with their competition so customers are able to buy from the lowest price business.