EXAMINATION NOTES

SUBJECT: MARKETING CONCEPTS AND DECISIONS

CLASS: M.COM 3rd SEM

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UNIT 1

MARKETING

The core function of marketing is to recognise customer needs and desires and find the best strategies to meet those expectations and desires in such a way as to generate revenue and profit for an enterprise.
For example, ready-to-use dosa batter – it is an instance of marketing where convenience in cooking was identified as a consumer desire. Marketers grabbed this opportunity to package and distribute processed dosa batter that satisfies market desire, simplifies modern urban life and earns revenue for the company.

*Nature of Marketing

In popular conception, marketing, the term is used interchangeably with promotion. However, marketing is a lot more than just endorsing your product or services. The nature of marketing defines the various purposes it serves in a lifetime. It includes the following elements –

1. It is a Process of Communication

Marketing is the process of communicating with consumers and stakeholders with the objective of earning profit, maintaining customer relationships, and managing stakeholder expectations. It also directs the flow of services and products to the end-user.

2. Marketing is a Managerial Function

The particular marketing approach of an organisation is influenced by the management policy. It is the management policy that dictates the kind of marketing campaigns to run and sets its tonality.

3. Marketing is a Social Process

Marketing to the end consumer plays a crucial social role. Through different marketing channels, the consumer is introduced to a standard of living. To create an optimised marketing strategy, you must have a thorough idea about the consumer's changing needs and expenditure patterns.

4. Marketing is a Philosophy

It is the key guiding principle that defines the commercial operations of a company or organisation. As a policy, marketing requires you to establish certain ground rules on the kind of messaging and the overall ideology of a brand.

5. Marketing is a Legal Process

In its essence, marketing is an elaborate legal process through which the ownership of a product is transferred to the consumer. It is the way an enterprise discovers and identifies the needs of the market and transforms them into marketable products and services.

6. It is an Economic Function

Marketing, at its roots, is an economical function. Through different marketing strategies, the consumer is encouraged to take economic action. This action is transactional in nature and underpins the availing or procuring a product/service in exchange for money.

7. Objectives: Consumer Satisfaction & Profit Making

After all, marketing is an objective-driven action that requires a methodical approach. The ultimate goal of marketing is to satisfy consumer needs and expectations and by this means generate profit for an organisation.

*Scopes of Marketing

The scope of marketing involves both science and an art that needs a dynamic approach to solve real-world problems and crises in society. In modern business, the marketing department uses key strategies to guide a product from conceptualisation, development, and execution to promotion and distribution.

1. **Study of Consumer Behaviour**

The first and foremost role of marketing professionals is to be familiar with the expectations and expenditure patterns of the consumer in general. A thorough understanding of what they like to purchase? When do they do that? How much expense they are prepared to make for a novel item, what is their usual budget for the category of your product and so on.

It helps to determine the time and approach for your product launches. It lies in the nature of marketing management to gauge your consumer behaviour and strategize accordingly.

2. **Identify Their Wants and Requirements**

To ensure a streamlined product launch and satisfy the user demand, marketers first need to identify the pain points of the audience. A strategic approach to marketing requires a complete understanding of the consumer lifestyle. Only this allows you to place a product or service that amplifies or complements their life.

3. **Planning & Product Development**

In this phase, the idea of the product is conceptualised. With the ideation of the product, it lies in the scope of marketing channels to determine the correct branding strategy that addresses consumer demands and desires.

4. **Pricing and Policy Determination**

Marketing professionals may leverage various factors in the product development cycle to identify the correct pricing. It takes into consideration existing competition in the market and the expenditure pattern of the target audience. The strategy should help marketers determine attractive packaging and prices that encourage buyers.

5. **Distribution**

Identifying the proper distribution channel for the product is vital to optimise your ROI. To ensure the desired amount of sales, the distribution line must ensure wider target group outreach at the minimum cost.

6. **Promotion**

In this step, marketers can use a mix of online and offline marketing channels to promote the product or service. Based on the type of product/service, and its target group – a particular marketing channel might be more suitable than others.

7. **Consumer Satisfaction**

Every product or service is created and distributed in the market with the end goal of satisfying the user's demand or making their life easier. Therefore, after market distribution, it is essential to get feedback from the clients on how the product is being received. Depending on the kind of response, a future iteration of the same product or service can be improved to target the maximum number of potential customers.

8. **Marketing Control**

It befalls the marketing department to ensure that the strategies implemented are able to produce the desired amount of results. After the product distribution and launch, marketers perform an in-depth audit to determine the utility of the approach and optimise it accordingly.

*Importance of Marketing

Marketing is directed at consumer satisfaction. In its natural form, marketing operations fulfil the needs of the market to help an enterprise earn profits and boost its sales. Here is a thorough breakdown of the various significance of marketing:

1. Creates Awareness

The scope of marketing enables an enterprise to run campaigns that generate awareness in the market about a product or a service. This is also the preliminary step of marketing and helps lay the groundwork during product launch.

2. Guides Buyer’s Journey

Marketing campaigns allow an enterprise or organisation to guide the consumer – offering knowledge and the relevant guidance that ultimately leads to purchase.
Let us take 3D printers as an example. When a company sells 3D printers, it may produce customised web blogs, articles and videos that educate and inform people. Different genres of web based content work as marketing tools that illustrate the benefits of 3D printers and create the necessary knowledge crucial to operate one
.

3. Builds Brand Identity

One of the crucial ways that marketing helps a business is by building a unique identity. It takes creativity of thought and expression to crack an exclusive message that works for your company. So, it falls upon the marketing department to conjure up a distinctive message that fosters better communication between the company and the target audience. And thereby establishing a brand identity that creates a unique position among the competition.

4. Boosts Sales

By adopting a robust marketing channel, businesses can adopt a continuous messaging model. It may include targeted advertisements or Search Engine Marketing (SEM) to get maximum visibility to the target group of audience. And thereby increase the sales of your products.

5. Helps Scale Up the Business

Marketing is a powerful tool for when you want to take your business to the next level. Whether you are targeting a new demographic of audience or trying to offer a variety of services – let your existing reputation guide your new journey.
It reduces the obstacles of capturing a new market or penetrating a segment different from your core products and services. Thus, utilising marketing tools effectively can help you avert multiple roadblocks to a flourishing business.

RELATIONSHIP MARKETING

Relationship Marketing is a strategy of Customer Relationship Management (CRM) that emphasizes customer retention, satisfaction, and lifetime customer value. Its purpose is to market to current customers versus new customer acquisition through sales and advertising.

INTEGRATED MARKETING

Integrated marketing is an approach that uses different forms of media, called channels, to tell a story or convey an idea. An integrated marketing campaign might start with a TV ad featuring a memorable character. For example, you might see a popular new donut flavor in a commercial, then drive past the donut shop to see posters of the donut.

INTERNAL MARKETING

Internal marketing means promoting the company's objectives, culture, products, and services to internal staff and stakeholders. For this reason, it is also called employee marketing.

PERFORMANCE MARKETING

Performance marketing aims to solve this tension by focusing on the part of marketing that performs in a measurable way. The term, first introduced in the mid-1990s shortly after internet marketing, was a stroke of branding genius by marketing companies. If they have the choice, why would a business owner invest in anything other than marketing that performs?
Performance marketing is a results-driven approach to digital marketing, where advertisers pay only when specific actions or outcomes are achieved. These actions can include clicks, leads, sales, or other desired customer behaviors. Performance marketing relies on various channels, such as affiliate marketing, pay-per-click (PPC) advertising, social media advertising, and search engine marketing.

VALUE-DELIVERY

Value-Delivery involves everything necessary to ensure every paying customer is a happy customer: order processing, inventory management, delivery/fulfillment, troubleshooting, customer support, etc. Without Value-Delivery, you don't have a business.

For example, when a consumer purchases a laptop, value delivery may entail giving them free software updates and longer warranties. A business strategy that consistently works to provide its existing and potential customers extra value frequently benefits from more income, faster growth, and better loyalty.

VALUE CHAINS

Value chains are an integral part of strategic planning for many businesses today. A value chain refers to the full lifecycle of a product or process, including material sourcing, production, consumption and disposal/recycling processes.

CORE COMPETENCIES

Core competencies are the resources and capabilities that comprise the strategic advantages of a business. A modern management theory argues that a business must define, cultivate, and exploit its core competencies in order to succeed against the competition.

- Core competencies are the defining characteristics that make a business or an individual stand out from the competition.
- Identifying and exploiting core competencies is seen as important for a new business making its mark or an established company trying to stay competitive.
- A company's people, physical assets, patents, brand equity, and capital can all make a contribution to a company's core competencies.
- The idea of core competencies was first proposed in the 1990s as a new way to judge business managers compared to how they were judged in the 1980s.
- Examples of companies that have core competencies that have allowed them to remain successful for decades include McDonald's, Apple, and Walmart.

STRATEGIC MARKETING PLANNING

Strategic marketing planning is the process of writing and following a plan to reach a specific marketing goal. Companies may develop strategic marketing plans to increase revenue and profits, achieve greater visibility, discourage competitors or improve their appearance through a total rebranding. Management and operations teams work together to identify the goal, outline the steps, assign tasks and measure the success of the effort. They may revise their steps over time, but they begin with a research-backed, practical plan in place.

CORPORATE STRATEGIC PLANNING

Corporate Strategic Planning is a companywide approach at the business unit and corporate level for developing strategic plans to achieve a longer-term vision. The process includes defining the corporate strategic goals and intentions at the top and cascading them through each level of the organization.

Strategic planning is important for companies because it provides direction for their future growth and financial stability. A corporate strategy is one element of strategic planning that helps organizations define their long-term goals, such as revenue growth or expansion. If you work in business development, you may want to learn about the key components of a corporate strategy to help you establish realistic and achievable goals for your organization. In this article, we define this strategy, explain its importance and list four corporate strategy components to help you create or refine business goals.

A corporate strategy can help businesses establish and meet their goals to achieve long-term success. When clearly defined, this strategy can have benefits for many companies of all sizes.

*Importance of strategic Planning

1. Create strategic direction: This type of strategy can help leaders establish high-level objectives for the organization, which can create a strategic direction for the company's development and growth.

2. Adapt to changes: By continually updating this strategy, a company can adapt to changes and refine its strategic goals to reflect new challenges or opportunities.

3. Increase profitability: This strategy can help companies make decisions about resources and funding to minimize potential risks and maximize their return on investments, which can increase their profitability.

4. Motivate employees: Sharing the organization's corporate strategy with employees can provide them with direction and purpose in their roles, which can motivate them to help a company achieve its goals.

DIVISIONAL STRATEGY

A divisional strategy, or business strategy, means defining the specific goals and activities of particular business units. While a company may have an overall strategy of how they want to operate, the divisional strategy focuses on each division or department. Leaders often create business strategies that contribute to the company's goals.

*How does a divisional strategy work?

Divisional strategies are one of the three main strategies many companies define. The other two are:

1.Corporate strategy: A corporate strategy is how a company plans for revenue growth, lower cost and efficient operations. This often requires market analysis and current business performance to decide what risks a company might take to succeed.

2. Functional strategy: A functional strategy is often one that mid-level managers might decide for each department. People define these by understanding the overall corporate and business strategies and deciding how best to achieve any goals.

*Benefits of a divisional strategy

1.Custom strategies

One benefit of creating this type of strategy is that you create goals and perform research for specific areas of the business. Rather than a broad, corporate strategy, people within specific divisions can adjust their strategies based on their needs. For example, a corporate strategy might be to reduce operational spending, while the department-level strategy for a sales department might be to automate more emails and calls.

2. Competitive advantages

As market research is essential in defining a strategy for a division, this can provide a company with a competitive advantage. You might learn what your top competitors do and the results they achieve, showing you how you might improve your own products and services. You might perform a SWOT analysis by analyzing your strengths and weaknesses along with external threats and opportunities.

3. Process improvement

Division strategies can help improve your processes, as these often include goals for team members to reach. For example, business strategies often include ways to reduce spending, increase revenue or improve market standings. With these, team members can evaluate their current processes and understand what they might change to reach the goals.

4. Improved culture

Having a clear divisional strategy can help improve company culture. As employees can share and understand what their roles are and how they can help the company achieve larger goals, they might feel more motivated to perform better. Similarly, a clear vision, mission and departmental values can ensure each team member contributes and behaves appropriately.

*Components of an Effective Divisional Strategy

Each effective business strategy has several components:

1. Mission: As with overall companies, specific divisions might include a mission statement. These can be a few sentences and identify the ideal accomplishments and the reasons for pursuing these.

2. Values: A value statement can also be several sentences that express what is important to a division. This might mean how a division might work, what leadership believes in and the expected behavior of team members.

3. Vision: A division's vision means describing how you expect the particular business unit to look in the future. This might mean expected revenue, market positioning or reputation that can inspire employees to pursue the vision.

4. Budget: As strategies often include cost reduction and revenue goals, creating a budget can help guide the strategy. You might indicate a specific budget or resource allocation to ensure managers know how to spend the money when executing their tasks.

5. Goals: More than just describing the mission or vision, you can write a few sentences on what specific and measurable goals you have. These can include budget figures, revenue targets or operational goals with ways to measure the success of each.

BUSINESS UNIT LEVEL STRATEGY

By definition, a business unit (also referred to as a division or major functional area) is a part of an organization that represents a specific line of business and is part of a firm's value chain of activities including operations, accounting, human resources, marketing, sales, and supply-chain functions. Business units and functional areas help a company organize itself internally. For example, a company may have several strategic business units that each sell different products or provide distinct services. As fully functional segments of a company, business units typically have their own strategic direction and vision.

When it comes to strategy, each business unit has a role to play in the company's grand plans and enterprise strategy. Each line of business or sector must align with and contribute value to the primary corporate business strategy. In order to optimize results, strategy needs to be part of everyone's responsibilities. As such, each business unit must develop its own business-unit strategy framework that will define how it will fulfill its part of the primary corporate strategy and make a distinct, value-added contribution to the organization's long-term success.

*Strategy Level Types

There are three major strategy level types:

1. Corporate-Level Strategy: Concerned with the overall scope and direction of an organization across its various businesses. This includes diversification and vertical integration.

2. Business-Level Strategy: Focuses on competing successfully in individual markets or industries. This involves being an industry leader or differentiating a brand.

3. Functional-Level Strategy: Deals with optimizing specific departments or functions to support business-level strategy. This level of strategy can include areas like extensive advertising, brand management, and global distribution.

*Importance of Business-Level Strategy

Business-level strategy is important as it defines how a company competes in a specific market, which influences its competitive position and success. It helps differentiate the company from competitors, attract customers, and achieve a sustainable advantage.

UNIT 2

MARKETING ENVIRONMENT

A company's marketing environment includes every element that may affect its ability to connect with its customers. This can include internal elements such as resources, equipment and a company's corporate structure. It can also include external components like existing customers, delivery platforms and top competitors. Both internal and external conditions can affect how a customer responds to a business and determine how a business might grow .Some benefits of understanding your marketing environment include:

Assisting you in understanding the company's competitors and the market

Supporting you in identifying your current and potential customers

Helping you determine future marketing plans

Aiding you in assessing current trends

*Types of marketing environments

- **Internal marketing environment**

Marketing professionals work with the resources, company values, systems and processes that exist within a company. These influence the tasks that a company's marketing and advertising teams complete and how effectively they can create campaigns and content to be competitive in a market.

- **External microenvironment**: An external microenvironment covers the relationships outside of the company. A company's external contacts may include customers, suppliers or other outside agencies.
- **External macro environment:** The term macro environment refers to the market or field in which a company performs. While macro factors may affect the entire industry, they rarely have a direct impact on a specific company.

*Marketing Environment impact on marketing decisions

There are two elements within the external marketing environment; micro and macro. These environmental factors are beyond the control of marketers but they still influence the decisions made when creating a strategic marketing plan.

*Micro Environment Factors

- **Suppliers**: Suppliers can control the success of the organisation when they hold power. The supplier holds the power when they are the only or the largest supplier of their goods; the buyer is not vital to the supplier's business; the supplier's product is a core part of the buyer's finished product and/or business. Imagine they are the link in the value delivery processes and what impact this may have.

- **Resellers**: If the organization's product or service is taken to market by third-party resellers or market intermediaries such as retailers, wholesalers, etc. then the marketing success is impacted by those third-party resellers. For example, if a retail seller is a reputable name then this reputation can be leveraged in the marketing of the product. They are the link between the organization and the customer, so are important due to factors such as promotion and distribution.

- **Customers**: Who the customers are (B2B or B2C, local or international, etc.) and their reasons for buying the product will play a large role in how the organization approaches the marketing of its products and services to them. It is also important to note the stability of demand and how this can impact the outcomes of any marketing efforts.

- **The competition:** Those who sell the same or similar products and services as the organization is the market competition, and the way they sell needs to be taken into account. In reality, every organization that sells something similar is classed as competition. What impact do their prices and product differentiation have? How can the organization leverage this to reap better results and get ahead of the competition?

- **The general public**: The organization has a duty to be a good corporate citizen. Any actions the company takes must be considered from the angle of the general public and how they are affected. The public has the power to help the organization reach its goals; just as they can also prevent the organization from achieving them. The opinion of the public can play a key part in the success of any marketing efforts.

Macro Environment Factors:

- **Economic factors**: The economic environment can impact both the organization's production and the consumer's decision-making process. These can include interest rates, recession, demand and supply for example.

- **Natural/physical forces**: The Earth's renewal of its natural resources such as forests, agricultural products, marine products, etc. must be taken into account. There are also natural non-renewable resources such as oil, coal, minerals, etc. that may also impact the organization's production. In the broader picture, these can be linked to climate change, pollution and new law and regulations that regulate the environment.

- **Technological factors**: The skills and knowledge applied to the production, and the technology and materials needed for the production of products and services can also impact the smooth running of the business and must be considered. Automation, connectivity, speed and performance are all necessary considerations.

- **Political and legal forces**: Sound marketing decisions should always take into account political and/or legal developments relating to the organization and its markets.

- **Social and cultural forces**: marketing must consider changing in culture and society when creating successful marketing activities. These include aspects such as demographics, consumer attitudes, buying patterns, changes in population and employment patterns as well as changes in living standards.

MARKET SEGMENTATION AND TARGETING

Market segmentation and targeting refer to the process of identifying a company's potential customers, choosing the customers to pursue, and creating value for the targeted customers. It is achieved through the segmentation, targeting, and positioning (STP) process.

*STP (Segmentation, Targeting, and Positioning) PROCESS

Segmentation is the first step in the process. It groups customers with similar needs together and then determines the characteristics of those customers. For example, an automotive company can split customers into two categories: price-sensitive and price-insensitive. The price-sensitive category may be characterized as one with less disposable income.

The second step is **targeting**, in which the company selects the segment of customers they will focus on. Companies will determine this base on the attractiveness of the segment. Attractiveness depends on the size, profitability, intensity of competition, and ability of the firm to serve the customers in the segment.

The last step is **positioning** or creating a value proposition for the company that will appeal to the selected customer segment. After creating value, companies communicate the value to consumers through the design, distribution, and advertisement of the product. For example, the automotive company can create value for price-sensitive customers by marketing their cars as fuel-efficient and reliable.

BUYER BEHAVIOR

Buyer behavior refers to the decision and acts people undertake to buy products or services for individual or group use. It's synonymous with the term "consumer buying behavior," which often applies to individual customers in contrast to businesses.

Buyer behavior is the driving force behind any marketing process. Understanding why and how people **decide to purchase** this or that product or why they are so loyal to one particular brand is the number one task for companies that strive for improving their business model and acquiring more customers.

*Types of Buyer Behavior

1. Complex buying behavior

This type is also called extensive. The customer is highly involved in the buying process and thorough research before the purchase due to the high degree of economic or psychological risk. Examples of this type of buying behavior include purchasing expensive goods or services such as a house, a car, an education course, etc.

2. Dissonance-reducing buying behavior

Like complex buying behavior, this type presupposes lots of involvement in the buying process due to the high price or infrequent purchase. People find it difficult to choose between brands and are afraid they might regret their choice afterward (hence the word 'dissonance').

As a rule, they buy goods without much research based on convenience or available budget. An example of dissonance-reducing buying behavior may be purchasing a waffle maker. In this case, a customer won't think much about which model to use, chousing between a few brands available.

3. Habitual buying behavior

This type of consumer buying behavior is characterized by low involvement in a purchase decision. A client sees no significant difference among brands and buys habitual goods over a long period. An example of habitual buying behavior is purchasing everyday products.

4. Variety seeking behavior

In this case, a customer switches among brands for the sake of variety or curiosity, not dissatisfaction, demonstrating a low level of involvement. For example, they may buy soap without putting much thought into it. Next time, they will choose another brand to change the scent.

CONSUMER DECISION-MAKING PROCESS

The consumer decision making process is the process by which consumers become aware of and identify their needs; collect information on how to best solve these needs; evaluate alternative available options; make a purchasing decision; and evaluate their purchase.

Stage 1: Need recognition

The first stage in the consumer decision-making process for a consumer is to figure out what they need. The most important thing that leads someone to buy a product or service is their need for it. All buying decisions are based on what people need.

Finding out what the customer needs is the first move to evaluating the Consumer Decision Making Process. Finding out what needs and wants the target market has can help with many marketing decisions.

Stage 2: Searching and gathering information

People are usually skeptical when they have to choose between options. So they need all the facts before they spend their money. After figuring out their need, the potential consumer moves on to the second stage: searching for and gathering information.

The buyer considers all the benefits and drawbacks of the purchase at this stage of their decision-making process. Because of changing styles and online shopping sites, consumers know much more about what they want to buy and can make better choices.

Consumers can get information from many different places, like books, magazines, the Internet, and reviews of products by other people. It's important to make a purchase decision, so the consumer shouldn't be in a hurry when learning about the products and brands on the market.

- **Commercial Information Sources:** Important types include digital media, newsletters, TV ads, salespeople, and public displays.
- **Previous Purchase Experiences:** It is consumers' past experiences with using a product.
- **Personal Contacts:** This is a very reliable source of information and impacts the consumer's mind the most. Consumers usually talk to their friends, family, coworkers, and acquaintances about their needs and interests in different products and then use their advice to decide what to buy.

Stage 3: Considering the alternatives

The third stage in the consumer decision-making process is to carefully look at all the alternatives and substitutes on the market. Once consumers know what they need and where to get it, they will start looking for the best deals or options.

At this stage, the consumer compares options based on price, product quality, quantity, value-added features, or other essential factors. Before choosing the product that best meets your needs, look at customer reviews and compare prices for the alternatives.

After finding helpful information, the consumer chooses the best product on the market based on their taste, style, income, or preference.

Stage 4: Buying the product or service

After going through the above stages, the customer decides what to buy and where to buy it. The consumer makes a smart choice to buy a product based on his needs and wants after he has looked at all the facts.

Needs and wants are often sparked by marketing campaigns, recommendations from friends and family, or sometimes by both.

Stage 5: Post-purchase evaluation

In the last stage of the consumer decision-making process, the consumer evaluates or analyzes the product they bought. They look at how helpful the product is, how satisfied they are with it, and how much it is worth to meet their needs.

If consumers know that the product they bought was worth what they paid for and met their expectations, they will stick with that product.

CUSTOMER SATISFACTION

Customer satisfaction is the evaluation of how well a company's products or services meet or exceed the expectations of its customers. This assessment considers aspects such as quality, service, and overall experience. The comprehension and enhancement of customer satisfaction is essential in retaining customers and promoting loyalty.

*Customer Satisfaction Importance

Customer satisfaction is essential for the success of any business. When customers are satisfied, they are more likely to become repeat customers, leading to improved customer retention. Furthermore, satisfied customers are more likely to share positive experiences with others, which can attract new customers. Additionally, satisfied customers are more likely to provide valuable feedback, allowing businesses to make necessary improvements and effectively meet the needs of their customers.

*How to Measure Customer Satisfaction

In order to effectively build and maintain customer satisfaction, it is crucial to have a way to measure it. This section will discuss various methods for measuring customer satisfaction, including customer surveys, Net Promoter Score (NPS), and analyzing customer complaints and feedback. By understanding how to measure customer satisfaction, businesses can gain valuable insights and make informed decisions to improve overall customer experience.

1. Customer Surveys

Determine survey objectives: Define the purpose and specific insights you want to gather related to customer surveys.

Choose the right survey method: Select between online surveys, phone interviews, or in-person questionnaires based on your target audience for customer surveys.

Create effective survey questions: Craft clear, relevant, and unbiased questions to obtain accurate and actionable feedback from customer surveys.

Ensure respondent anonymity: Assure participants that their responses will remain confidential to encourage honest feedback in customer surveys.

Analyze and act on results: Interpret the data, identify trends, and implement improvements based on the feedback received from customer surveys.

2. Net Promoter Score

Net Promoter Score (NPS) is a metric used to measure customer loyalty and satisfaction based on the question ‘How likely are you to recommend our product/service to a friend or colleague?’

Calculate NPS by subtracting the percentage of detractors from promoters, ranging from -100 to 100.

Interpret NPS scores: Promoters (9-10) are loyal enthusiasts, passives (7-8) are satisfied but unenthusiastic, and detractors (0-6) are unhappy customers.

Utilize NPS feedback to improve customer experience, identify areas for growth, and enhance customer retention strategies.

3. Customer Complaints and Feedback

Customer complaints and feedback are essential for business growth. Actively seek and address customer complaints to improve products, services, and overall customer experience. Use feedback to identify areas for enhancement and to show customers that their opinions are valued.

CUSTOMER VALUE

Customer value refers to the perceived benefits a customer receives from a product or service in relation to its cost. It takes into account factors such as quality, price, convenience, and overall experience, which influence customer preferences and loyalty.

For example, a local bakery's dedication to consistent quality, friendly service, and reasonable prices has resulted in high customer value. Even with the emergence of new bakeries, customers have remained loyal due to the exceptional value they receive from this bakery.

*How to Create Customer Value?

As a business owner, it is crucial to understand the importance of creating customer value in order to build long-lasting relationships with your clientele. This section will discuss the essential steps to creating customer value, including understanding your customers' needs and wants, providing high-quality products and services, offering competitive pricing, and personalizing the customer experience. By following these strategies, you can increase customer satisfaction, value, and retention for your business.

1. Understand Your Customers' Needs and Wants

Conduct surveys and interviews to gather direct feedback on customer preferences and better understand their needs and wants.

Analyze purchasing patterns and customer interactions to identify specific needs and preferences.

Utilize social media and online analytics to gain insight into customer sentiments and current trends.

2. Provide High-Quality Products and Services

Invest in high-grade raw materials and components to ensure the production of top-quality products.

Implement strict quality control measures during all stages of production.

Train and empower staff to consistently deliver exceptional service.

Solicit and act on customer feedback to continuously improve the quality of products and services.

3. Offer Competitive Pricing

Conduct Market Analysis: Research competitors' pricing strategies and assess the value proposition of your products or services.

Cost Optimization: Identify areas where costs can be minimized without compromising quality to offer competitive prices.

Value-based Pricing: Align pricing with the perceived value by customers, emphasizing benefits over cost.

Promotional Offers: Use targeted promotions and discounts to attract price-sensitive customers while still maintaining the value of your offerings.

4. Personalize the Customer Experience

Utilize customer data to better understand their preferences and behavior.

Offer personalized product recommendations and promotions to cater to individual needs.

Implement personalized communication through targeted emails or messages to engage with customers on a more personal level.

Create tailored experiences based on past interactions and feedback to enhance the customer experience.

CUSTOMER RETENTION/LOYALTY

Customer retention is the process of implementing strategies and activities to maintain the engagement of existing customers and encourage them to continue doing business with a company. The goal is to establish long-term relationships with customers, promoting brand loyalty and ensuring repeat business. This can be achieved through exceptional customer service, personalized experiences, and consistently providing value.

Some suggestions for improving customer retention include:

Implementing loyalty programs

Offering exclusive deals to returning customers

Gathering feedback to continuously enhance customer satisfaction

*Improvement in Customer Retention/loyalty

In today’s competitive market, building customer satisfaction, value, and retention is crucial for the success of any business. One key aspect of this is improving customer retention, which involves keeping customers coming back for more. In this section, we will discuss four effective strategies to improve customer retention: providing excellent customer service, rewarding loyal customers, continuously improving products and services, and maintaining open communication with customers. By implementing these tactics, businesses can increase customer satisfaction and loyalty, leading to long-term success and growth.

1. Provide Excellent Customer Service

Train staff to actively listen and empathize with customers.

Respond promptly to inquiries and concerns.

Personalize interactions to make customers feel valued.

Implement a reliable feedback system to address customer issues effectively.

Fostering strong customer relationships and loyalty is crucial for providing excellent customer service. This involves proactive communication, swift issue resolution, and a customer-centric approach.

2. Reward Loyal Customers

Implement a loyalty program offering exclusive discounts and rewards for repeat purchases.

Provide early access to new products or services to show appreciation for their loyalty.

Offer personalized gifts or special perks based on their purchasing history and preferences.

3. Continuously Improve Products and Services

Regular Feedback: Continuously gather feedback from customers through surveys, reviews, and direct communication to improve products and services.

Market Research: Stay updated with market trends, competitors, and new technologies to enhance products and services.

Employee Training: Invest in training programs to ensure employees have the skills and knowledge to deliver improved services and continuously improve products and services.

Innovation: Encourage creativity and innovation within the organization to develop new and enhanced products and services and continuously improve products and services.

4. Communicate with Customers

Utilize various communication channels such as email, phone, social media, and in-person interactions to effectively communicate with customers.

Ensure prompt and clear responses to customer inquiries and concerns to maintain good communication.

Seek feedback from customers through surveys, reviews, and suggestion boxes to better understand their needs and preferences.

Provide proactive updates on new products, services, and promotions to keep customers informed and engaged.

*Common Challenges in Building Customer Satisfaction,Value, and Retention

In the competitive world of business, building customer satisfaction, value, and retention is crucial for long-term success. However, many companies face common challenges in achieving these goals. In this section, we will discuss the roadblocks that businesses often encounter when trying to build customer satisfaction, value, and retention. These include a lack of understanding of customer needs, poor product or service quality, ineffective communication with customers, and failure to adapt to changing customer expectations. By addressing these challenges, companies can pave the way for a loyal and satisfied customer base.

1. Lack of Understanding of Customer Needs

Conduct market research to gain a comprehensive understanding of customer preferences and pain points.

Utilize surveys and feedback tools to collect valuable customer insights.

Invest in customer relationship management systems to track interactions and preferences in order to better serve customers.

Train employees to actively listen and comprehend customer needs in order to provide exceptional service.

Understanding and fulfilling customer needs is crucial for delivering value and fostering loyalty. This requires proactive efforts in market research, feedback collection, and employee training to address any lack of understanding of customer needs.

2. Poor Product or Service Quality

Inadequate quality of products or services can result in dissatisfied customers, negative reviews, and decreased loyalty. It is essential to promptly address any quality issues by implementing strict quality control measures, gathering customer feedback, and consistently improving the quality of products or services.

3. Ineffective Communication with Customers

Use a variety of communication channels, including email, phone, and social media, to effectively reach customers.

Ensure that information is clear and concise to prevent confusion or misunderstandings.

Listen attentively to customer feedback and promptly address any communication issues that may arise.

Provide training and education to staff to improve their communication skills and maintain consistent messaging.

4. Failure to Adapt to Changing Customer Expectations

Stay updated with market trends and customer preferences to avoid failure to adapt to changing customer expectations.

Regularly gather and analyze customer feedback and behavior to stay in tune with their needs.

Adapt products, services, and communication strategies based on changing customer expectations to ensure customer satisfaction.

Invest in technology to enhance customer experience and meet evolving needs, preventing failure to adapt to changing customer expectations.

UNIT -3

PRODUCT

A product is the item offered for sale. A product can be a service or an item. It can be physical or in virtual or cyber form. Every product is made at a cost and each is sold at a price. The price that can be charged depends on the market, the quality, the marketing and the segment that is targeted. Each product has a useful life after which it needs replacement, and a life cycle after which it has to be re-invented. In FMCG parlance, a brand can be revamped, re-launched or extended to make it more relevant to the segment and times, often keeping the product almost the same.

***Characteristics of Product**

Some of the important characteristics of the product are given below:

1.A product is a set of Tangible and intangible attributes

2. Product includes colour, price, packaging and branding

3. Product is a group of utilities

***TYPES OF PRODUCT**

1. **Convenience products**

Convenience products are widely available items that consumers purchase without significant deliberation. These are mass-produced, low-priced items that individuals regularly purchase to meet basic drives, such as hunger or thirst. Convenience products are often available at a range of locations. Examples of convenience products include milk, candy bars, magazines, and laundry detergents. Customers might not show brand loyalty to some of these items and might purchase any version available in a convenient location.

2. Specialty products

Specialty products are exclusive items that generate particularly strong brand associations with consumers. Buyers seek these items, pay a premium to own them, and rarely compare them with offerings from other brands to choose the superior product. High-quality food items, luxury watches, and designer clothes are some examples. These items might be less widely available than convenience products. You probably sell these items at a significant markup if you're a reseller. Specialty product producers often focus their marketing efforts on establishing a brand image and emphasizing exclusivity and superior quality.

3. Shopping products

Shopping products are items that cause consumers to evaluate a range of options and compare them before making a purchase decision. These are often higher-priced items that individuals infrequently purchase to fulfill important desires. Cars, appliances, furniture, and clothing are shopping products. Consumers typically recognize the significance of these items and the range of options available. They search for information, test products, and evaluate for value by judging the relationship between quality and price. Businesses that sell shopping products focus on marketing and sales strategies to differentiate their products from the competition. Homogeneous shopping products are items with minimal differentiation between brands that consumers evaluate primarily on price. Appliances are often homogeneous products. Heterogeneous products vary significantly according to their brand and style. Consumers evaluate these items based on their product features. Cars and clothing are heterogeneous products.

4. Unsought products

Unsought products are items that consumers seek or desire infrequently. Consumers might have low awareness of these products and their purpose unless they directly encounter marketing material. Insurance products, funeral services, and charitable donations are unsought goods. Businesses selling these items might try to connect directly with customers and share information about these products and their benefits. You can employ door-to-door sales or telemarketing tactics to connect with potential customers.

5. Capital goods

Capital goods are items that businesses use to facilitate the production process. These can be large installations that house business operations or specialized items, such as manufacturing equipment or machine parts. The cost of capital goods can make up a significant portion of business expenses. Service-based businesses also use capital goods to deliver value to customers. For example, the musical instrument a professional musician uses or hairdressing tools a hairdresser uses are capital goods.

PRODUCT DECISIONS

Marketing mix describes how businesses use and manipulate the 4Ps to market their products. Businesses employ different strategies when marketing products compared to services. As a physical product, marketers need to make several decisions. These decisions are called product decisions. These include decisions related to packaging, labelling and branding involved in marketing the overall product

***Type of Product Decisions**

There are different decisions related to the product. These include four major decisions- Product Design Decisions, Production decisions, When and Where to Launch Decisions and Product Mix And Product Line.

1. Product Design Decisions

Product design decisions are related to the design of the products. The design of the product plays a very important role in the marketing process. If the design is as per the needs of the customers and compatible to be handled then this enhances the chances of a competitive advantage over the other teachers in the market.

2. Production Decisions

These decisions are related to the production aspect of the product. They involve decisions like what will be the manufacturing process of the product, batch flow line what kind of technology to be used and product quality etc.

3. Product Line Decisions

Product line decisions refer to decisions relating to the addition or deletion of product(s) from existing product lines. These include decisions like

4. Product line length decision: These decisions are related to the length of the product line. This involves decisions like adding a new product or eliminating and profitable product in the product line.

5. Product line stretching decision: This decision is related to lengthening a firm's product line beyond its current line by adding new products.

6. Product line modernisation decision: A strategy in which items in a product line are modified to suit modern styling and tastes and re-launched

7. Product line featuring decision: These decisions include highlighting specific products from the existing product line. Producers feature promotional models at the low end of the line to serve as "traffic builders."

8. Product Mix Decisions

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

PRODUCT LINE

A product line is a group of similar products manufactured and sold by one company. Many larger and more established companies have multiple product lines because of their financial capabilities and an understanding of customers' needs, while newer companies tend to have fewer. Companies place products into product lines depending on characteristics such as functionality and price range. For example, a company that sells nail care products may have one product line that sells different colors of nail polish and another product line that sells multiple types of nail polish removers. The nail polishes have the same function, so they are in the same product line. Neither the polish nor the polish remover is used for the same purpose, so they are in different product lines.

***Factors determining Product Line**

There are a few factors that determine the product line of a company and those include price range, functionality, target audience and brand. Products with a similar price range might be in one product line, and products with a completely different function and target audience are in a different product line altogether. Some factors that influence the product mix include the company's age, financial standing and brand identity. If a company is more established, it is more likely to have a higher product mix than a company that has only been open for a few years because it already has a brand image, a target audience who buys its products and an understanding of which products work best for their company.

PRODUCT MIX

The product mix consists of every product a business develops and sells. Within a product mix, there are four dimensions—width, length, depth and consistency

1. Width: The width of a product mix refers to the total number of product lines a business has. For example, if a breakfast food company has a product line for hot cereal, cold cereal and breakfast snacks, it would have a width of three because it has three product lines.

2. Length: The length includes the total number of products in the mix. For example, if the breakfast food company had three product lines and each line had four products, the length of the mix would be 12.

3. Depth: Depth is the number of variations within a product line. Variations consist of different sizes, flavors, colors or other distinguishable characteristics. If the breakfast food company's product line for hot cereal included strawberry, apple, banana and cinnamon flavors, the depth of that particular product line would be four.

4. Consistency: The consistency of the product mix refers to how closely products relate to each other in terms of use, distribution channels or type of consumer. The breakfast food company is likely going to have a higher consistency of product lines than a retail company that sells shoes, clothes and home goods.

PACKAGING

Packaging refers to the materials used to contain, protect, handle, deliver, and present a product. It can be divided into three main levels: primary packaging, secondary packaging, and tertiary packaging.

1. **Primary Packaging:** This is the packaging that is in direct contact with the product. Its main function is to protect the contents and maintain their quality and freshness, such as our glass bottles for liquors.

   - **Protection:** Protects the product from external contaminants, such as bacteria, moisture, and light.

- **Preservation:** Maintains freshness and flavor, especially in perishable products.
- **Convenience:** Facilitates the use and storage of the product for the end consumer.

2. **Secondary Packaging:** This can group several primary packages together and is not in direct contact with the product, but it is crucial for its transport and additional protection. Examples include boxes containing multiple glass bottles like "six packs."

- **Grouping:** Facilitates the handling and distribution of multiple units.

- **Additional Protection:** Provides an extra layer of protection against physical damage.

- **Marketing and Display:** Helps in the presentation of the product at points of sale with the labeling.

3. **Tertiary Packaging:** This is used to group secondary packages for handling and long-distance transport, such as wooden pallets.

- **Ease of Handling:** Allows for the efficient movement of large quantities of product.
- **Transport Optimization:** Helps maximize space in trucks and warehouses.
- **Protection during Transport:** Minimizes the risk of damage during transport, ensuring that products arrive at their destination in perfect condition.

LABELING

Labeling refers to the information printed on the product's packaging. Labels are essential for communication between the producer and the consumer, as well as for complying with legal regulations.

1. **Product Information:** Provides details about ingredients, nutritional value, usage instructions, and expiration date.

2. **Brand Identification:** Reinforces brand identity and attracts consumers with visually appealing designs.

3. **Legal Regulations:** Ensures compliance with local and international standards by providing information required by law.

4. **Instructions and Warnings:** Includes safety warnings and recommendations for storage and use.

PRODUCT LIFE CYCLE

Stage 1. Market development: This is when a new product is first brought to market, before there is a proved demand for it, and often before it has been fully proved out technically in all respects. Sales are low and creep along slowly.

Stage 2. Market growth: Demand begins to accelerate and the size of the total market expands rapidly. It might also be called the "Takeoff Stage."

Stage 3. Market maturity: Demand levels off and grows, for the most part, only at the replacement and new family-formation rate.

Stage 4. Market decline: The product begins to lose consumer appeal and sales drift downward, such as when buggy whips lost out with the advent of automobiles and when silk lost out to nylon.

1. Development stage.

Bringing a new product to market is fraught with unknowns, uncertainties, and frequently unknowable risks. Generally, demand has to be "created" during the product's initial *market development stage*. How long this takes depends on the product's complexity, its degree of newness, its fit into consumer needs, and the presence of competitive substitutes of one form or another. A proved cancer cure would require virtually no market development; it would get immediate massive support. An alleged superior substitute for the lost-wax process of sculpture casting would take lots longer.

While it has been demonstrated time after time that properly customer-oriented new-product development is one of the primary conditions of sales and profit growth, what have been demonstrated even more conclusively are the ravaging costs and frequent fatalities associated with launching new products. Nothing seems to take more time, cost more money, involve more pitfalls, cause more anguish, or break more careers than do sincere and well-conceived new-product programs. The fact is, most new products don't have any sort of classical life cycle curve at all. They have instead from the very outset an infinitely descending curve. The product not only doesn't get off the ground; it goes quickly under ground—six feet under.

It is little wonder, therefore, that some disillusioned and badly burned companies have recently adopted a more conservative policy—what I call the "used apple policy." Instead of aspiring to be the first company to see and seize an opportunity, they systematically avoid being first. They let others take the first bite of the supposedly juicy apple that tantalizes them. They let others do the pioneering. If the idea works, they quickly follow suit. They say, in effect, "We don't have to get the first bite of the apple. The second one is good enough." They are willing to eat off a used apple, but they try to be alert enough to make sure it is only slightly used—that they at least get the second big bite, not the 10th skimpy one.

2. Growth stage.

The usual characteristic of a successful new product is a gradual rise in its sales curve during the market development stage. At some point in this rise a marked increase in consumer demand occurs and sales take off. The boom is on. This is the beginning of Stage 2—the *market growth stage.* At this point potential competitors who have been watching developments during Stage 1 jump into the fray. The first ones to get in are generally those with an exceptionally effective "used apple policy." Some enter the market with carbon copies of the originator's product. Others make functional and design improvements. And at this point product and brand differentiation begin to develop.

3. Maturity stage.

This new stage is the *market maturity stage.* The first sign of its advent is evidence of market saturation. This means that most consumer companies or households that are sales prospects will be owning or using the product. Sales now grow about on a par with population. No more distribution pipelines need be filled. Price competition now becomes intense. Competitive attempts to achieve and hold brand preference now involve making finer and finer differentiations in the product, in customer services, and in the promotional practices and claims made for the product.such staples as men's shoes and industrial fasteners. Or maturity can persist, but in a state of gradual but steady per capita decline, as in the case of beer and steel.

4. Decline stage.

When market maturity tapers off and consequently comes to an end, the product enters Stage 4—*market decline*. In all cases of maturity and decline the industry is transformed. Few companies are able to weather the competitive storm. As demand declines, the overcapacity that was already apparent during the period of maturity now becomes endemic. Some producers see the handwriting implacably on the wall but feel that with proper management and cunning they will be one of the survivors after the industry-wide deluge they so clearly foresee. To hasten their competitors' eclipse directly, or to frighten them into early voluntary withdrawal from the industry, they initiate a variety of aggressively depressive tactics, propose mergers or buyouts, and generally engage in activities that make life thanklessly burdensome for all firms, and make death the inevitable consequence for most of them. A few companies do indeed weather the storm, sustaining life through the constant descent that now clearly characterizes the industry. Production gets concentrated into fewer hands. Prices and margins get depressed. Consumers get bored. The only cases where there is any relief from this boredom and gradual euthanasia are where styling and fashion play some constantly revivifying role.

NEW PRODUCT DEVELOPMENT STAGE

1. Idea Generation

Idea generation involves brainstorming for new product ideas or ways to improve an existing product. During product discovery, companies examine market trends, conduct product research, and dig deep into users' wants and needs to identify a problem and propose innovative solutions.

A SWOT Analysis is a framework for evaluating your product's strengths, weaknesses, opportunities, and threats. It can be a very effective way to identify the problematic areas of your product and understand where the greatest opportunities lie.

There are two primary sources of product development ideation. Internal ideas come from different areas within the company—such as Marketing, Customer Support, the Sales team, or the Engineering department. External ideas come from outside sources, such as studying your competitors and, most importantly, feedback from your target audience.

Some methods you can use are:

- Conducting market and product analysis
- Working with product marketing and sales to check if your product's value is being positioned correctly

- Collecting customer feedback with user interviews, focus groups, UX surveys, and product analytics
- Running user tests to see how people are using your product and identify gaps and room for improvement

Ultimately, the goal of the idea generation stage is to come up with as many ideas as possible while focusing on delivering value to your customers.

2. Idea Screening

This second step of new product development revolves around screening all your generated ideas and picking only the ones with the highest chance of success. Deciding which ideas to pursue and discard depends on many factors, including the expected benefits to your consumers, product improvements most needed, technical feasibility, or marketing potential.

The idea screening stage is best carried out within the company. Experts from different teams can help you check aspects such as the technical requirements, resources needed, and marketability of your idea.

3. Concept Development and Testing

All ideas passing the screening stage are developed into concepts. A product concept is a detailed description or blueprint of your idea. It should indicate the target market for your product, the features and benefits of your solution that may appeal to your customers, and the proposed price for the product. A concept should also contain the estimated cost of designing, developing, and launching the product.

Developing alternative product concepts will help you determine how attractive each concept is to customers and select the one with the highest value.

Once you've developed your concepts, test each of them with a select group of consumers. Concept testing is a great way to validate product ideas with users before investing time and resources into building them.

Concepts are also often used for market validation. Before committing to developing a new product, share your concept with your prospective buyers to collect insights and gauge how viable the product idea would be in the target market.

4. Marketing Strategy and Business Analysis

Now that you've selected the concept, it's time to put together an initial marketing strategy to introduce the product to the market and analyze the value of your solution from a business perspective.

- **The marketing strategy** serves to guide the positioning, pricing, and promotion of your new product. Once the marketing strategy is planned, product management can evaluate the business attractiveness of the product idea.
- **The business analysis** comprises a review of the sales forecasts, expected costs, and profit projections. If they satisfy the company's objectives, the product can move to the product development stage.
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5. Product Development

The product development stage consists of developing the product concept into a finished, marketable product. Your product development process and the stages you'll go through will depend on your company's preference for development, whether it's agile product development, waterfall, or another viable alternative.
This stage usually involves creating the prototype and testing it with users to see how they interact with it and collect feedback. Prototype testing allows product teams to validate design decisions and uncover any flaws or usability issues before handing the designs to the development team. to iterate on the flow and make sure it's clear for the users. After usability testing, we can finalize the flow and prepare it for the developer handoff.

6. Test Marketing
At this stage, it's essential to stay in touch with customers and gather research data to understand what works and resonates with the target audience and what doesn't. Results can also be used to write the copy and the messaging around the launch.

CUSTOMER ADOPTION

Customer adoption refers to introducing a new product to the marketplace and acquiring new and/or repeat customers. It's the start-to-end process of product awareness and integration into a customer's life. Customer adoption also refers to the rate at which current customers adopt or purchase new products, features, or services, and how quickly they adapt to using them as intended.

In short, customer adoption pertains to maximizing potential and the effective use and implementation of your product or service for your customers.

*Customer Adoption Process

The consumer adoption process is ongoing. Tools and technology may evolve, and consumer discovery of products and behaviors may change. Nevertheless, these five stages make up the consumer adoption process:

1. Awareness
The awareness stage is when a new or current customer becomes aware of a new service, product, or feature. This could happen via a customer success rep, a product notification, customer word of mouth, social media, or a marketing email.

2. Interest
In the interest stage, a customer is actively curious about your product or service. If they're a part of your current customer base, they may reach out to their CSM to express interest, and prospects may do more research into your company.

3. Evaluation
The evaluation stage is where a customer assesses your product or service offering. They evaluate whether it's something they want, need, and mostly importantly, are willing to invest in.

4. Testing
In the testing stage, customers actively try out your product/service. This may be by signing up for a free trial, being a part of beta testing, or watching a demo/tutorial. The objective is to see whether or not your product or service is a good fit for a customer's goals.

5. Adoption
When a customer decides to make a purchase, they "adopt" the new product or service to be used as intended. Some customers may benefit from high-touch customer support during the adoption and onboarding phase. A formal customer onboarding process is common during this stage

Once this is done and the product is integrated into the customers day to day, you've achieved customer adoption.

PRICING DECISIONS

Pricing decision is a process whereby a business sets the price at which it will sell its product and services and may be a part of the business marketing plan. In setting prices business considers the price at which it could acquire the good it's manufacturing cost marketing cost brand quality cost etc

*Factors Affecting Pricing Decisions

Below are the major factors affecting the pricing decisions of the firm or business. These factors cumulatively as well as individually influence and impact the pricing decision a product or service

Internal Factors for Pricing Decisions

The internal factors are factors that can be controlled, determined and processed by the organization. These factors are mostly in relation to the organization's business-level strategy and are greatly influenced by the nature of business.

1. Cost

Major factors that determine price.The cost of production is largely influenced by the supplier cost, macroeconomic trends and the nature of business.

2. Company objectives

pricing decisions are made, they must be in line with the overall company objectives, as this is what will inform what the pricing objective really is so that the pricing decisions made will not be against the company objective.

3. Organizational factors

Pricing is affected by the organizational factors. The overall pricing strategy is dealt with by the top executives. On the other hand individual product pricing strategies are dealt with by the lower-level management of the form hence pricing decisions occur at two levels in the organization.

4. Marketing Mix

The marketing mix plays a very important role in determining the price of the product. If any one of the marketing elements is affected will ultimately lead to an immediate effect on the pricing decision

5. Product Differentiation

The price of the product is also affected by the characteristics of the product. These characteristics involved quality size, color attractive package and uses etc. Hence different prices are charged for different styles and packaged Products

External Factors for Pricing Decision

External factors are those factors that are not within reach of the organization. They are external because there are many parties that determine and control these factors below are the major external factors affecting pricing

1. Competition

Competition is a very important factor in price determination. A firm can fix a price equal to or lower than the competitor as per the situation demands.

2. Demand

Demand is a prominent factor affecting the price of the product. The product having a high demand in the market can be priced a little higher than the other products. On the other hand, if the product is new then the company needs to penetrate the market and for that, it charges lower prices to attract more customers.

3. Suppliers

Suppliers of raw materials and Other goods can have a significant effect on the price of the product because the price of the finished product is intimately linked with the price of the raw materials.

4. Economic conditions

The inflationary and deflationary tendencies of the economy affect the pricing also. The prices are increased in the Boom period to cover the cost of production and meet the needs of changing demand and vice versa.

5. Customers

The various consumers or customers that buy a company product or service may have an influence on the pricing decisions. Their behavior of purchasing a particular product brand or service affects the pricing levels.

6. Government

The government also affects the pricing decision by the enactment of different legislations. Like in the scenario of rising prices, the government can fix the maximum cap on the price of certain products. It gives a close watch on pricing in the private sector.

PRICING POLICY AND STRATEGY

Managers should start setting prices during the development stage as part of strategic pricing to avoid launching products or services that cannot sustain profitable prices in the market. This approach to pricing enables companies to either fit costs to prices or scrap products or services that cannot be generated cost-effectively. Through systematic pricing policies and strategies, companies can reap greater profits and increase or defend their market shares. Setting prices is one of the principal tasks of marketing and finance managers in that the price of a product or service often plays a significant role in that product's or service's success, not to mention in a company's profitability.

Generally, pricing policy refers to how a company sets the prices of its products and services based on costs, value, demand, and competition. Pricing strategy, on the other hand, refers to how a company uses pricing to achieve its strategic goals, such as offering lower prices to increase sales volume or higher prices to decrease backlog. Despite some degree of difference, pricing policy and strategy tend to overlap, and the different policies and strategies are not necessarily mutually exclusive.

After establishing the bases for their prices, managers can begin developing pricing strategies by determining company pricing goals, such as increasing short-term and long-term profits, stabilizing prices, increasing cash flow, and warding off competition. Managers also must take into account current market conditions when developing pricing strategies to ensure that the prices they choose fit market conditions. In addition, effective pricing strategy involves considering customers, costs, competition, and different market segments.

Pricing strategy entails more than reacting to market conditions, such as reducing pricing because competitors have reduced their prices. Instead, it encompasses more thorough planning and consideration of customers, competitors, and company goals. Furthermore, pricing strategies tend to vary depending on whether a company is a new entrant into a market or an established firm. New entrants sometimes offer products at low cost to attract market share, while incumbents' reactions vary. Incumbents that fear the new entrant will challenge the incumbents' customer base may match prices or go even lower than the new entrant to protect its market share. If incumbents do not view the new entrant as a serious threat, incumbents may simply resort to increased advertising aimed at enhancing customer loyalty, but have no change in price in efforts to keep the new entrant from stealing away customers.

COST-BASED PRICING

The traditional pricing policy can be summarized by the formula:

Cost + Fixed profit percentage = Selling price

Cost-based pricing involves the determination of all fixed and variable costs associated with a product or service. After the total costs attributable to the product or service have been determined, managers add a desired profit margin to each unit such as a 5 or 10 percent markup. The goal of the cost-oriented approach is to cover all costs incurred in producing or delivering products or services and to achieve a targeted level of profit.

By itself, this method is simple and straightforward, requiring only that managers study financial and accounting records to determine prices. This pricing approach does not involve examining the market or considering the competition and other factors that might have an impact on pricing. Cost-oriented pricing also is popular because it is an age-old practice that uses internal information that managers can obtain easily. In addition, a company can defend its prices based on costs, and demonstrate that its prices cover costs plus a markup for profit.

However, critics contend that the cost-oriented strategy fails to provide a company with an effective pricing policy. One problem with the cost-plus strategy is that determining a unit's cost before its price is difficult in many industries because unit costs may vary depending on volume. As a result, many business analysts have criticized this method, arguing that it is no longer appropriate for modern market conditions. Cost-based pricing generally leads to high prices in weak markets and low prices in strong markets, thereby impeding profitability because these prices are the exact opposites of what strategic prices would be if market conditions were taken into consideration.

While managers must consider costs when developing a pricing policy and strategy, costs alone should not determine prices. Many managers of industrial goods and service companies sell their products and services at incremental cost, and make their substantial profits from their best customers and from short-notice deliveries. When considering costs, managers should ask what costs they can afford to pay, taking into account the prices the market allows, and still allow for a profit on the sale. In addition, managers must consider production costs in order to determine what goods to produce and in what amounts.

Nevertheless, pricing generally involves determining what prices customers can afford before determining what amount of products to produce. By bearing in mind the prices they can charge and the costs they can afford to pay, managers can determine whether their costs enable them to compete in the low-cost market, where customers are concerned primarily with price, or whether they must compete in the premium-price market, in which customers are primarily concerned with quality and features.

VALUE-BASED PRICING

Value prices adhere to the thinking that the optimal selling price is a reflection of a product or service's perceived value by customers, not just the company's costs to produce or provide a product or service. The value of a product or service is derived from customer needs, preferences, expectations, and financial resources as well as from competitors' offerings. Consequently, this approach calls for managers to query customers and research the market to determine how much they value a product or service. In addition, managers must compare their products or services with those of their competitors to identify their value advantages and disadvantages.

Yet, value-based pricing is not just creating customer satisfaction or making sales; customer satisfaction may be achieved through discounting alone, a pricing strategy that could also lead to greater sales. However, discounting may not necessarily lead to profitability. Value pricing involves setting prices to increase profitability by tapping into more of a product or service's value attributes. This approach to pricing also depends heavily on strong advertising, especially for new products or services, in order to communicate the value of products or services to customers and to motivate customers to pay more if necessary for the value provided by these products or services.

DEMAND-BASED PRICING

Managers adopting demand-based pricing policies are, like value prices, not fully concerned with costs. Instead, they concentrate on the behavior and characteristics of customers and the quality and characteristics of their products or services.

Demand-oriented pricing focuses on the level of demand for a product or service, not on the cost of materials, labor, and so forth.

According to this pricing policy, managers try to determine the amount of products or services they can sell at different prices. Managers need demand schedules in order to determine prices based on demand. Using demand schedules, managers can figure out which production and sales levels would be the most profitable. To determine the most profitable production and sales levels, managers examine production and marketing cost estimates at different sales levels. The prices are determined

by considering the cost estimates at different sales levels and expected revenues from sales volumes associated with projected prices.

The success of this strategy depends on the reliability of demand estimates. Hence, the crucial obstacle manager's face with this approach is accurately gauging demand, which requires extensive knowledge of the manifold market factors that may have an impact on the number of products sold. Two common options managers have for obtaining accurate estimates are enlisting the help from either sales representatives or market experts. Managers frequently ask sales representatives to estimate increases or decreases in demand stemming from specific increases or decreases in a product or service's price, since sales representatives generally are attuned to market trends and customer demands. Alternatively, managers can seek the assistance of experts such as market researchers or consultants to provide estimates of sales levels at various unit prices.

COMPETITION-BASED PRICING

With a competition-based pricing policy, a company sets its prices by determining what other companies competing in the market charge. A company begins developing competition-based prices by identifying its present competitors. Next, a company assesses its own product or service. After this step, a company sets it prices higher than, lower than, or on par with the competitors based on the advantages and disadvantages of a company's product or service, as well as on the expected response by competitors to the set price. This last consideration—the response of competitors—is an important part of competition-based pricing, especially in markets with only a few competitors. In such a market, if one competitor lowers its price, the others will most likely lower theirs as well.

This pricing policy allows companies to set prices quickly with relatively little effort, since it does not require as accurate market data as the demand pricing.

Competitive pricing also makes distributors more receptive to a company's products because they are priced within the range the distributor already handles. Furthermore, this pricing policy enables companies to select from a variety of different pricing strategies to achieve their strategic goals. In other words, companies can choose to mark their prices above, below, or on par with their competitors' prices and thereby influence customer perceptions of their products.

For example, if a Company A sets its prices above those of its competitors, the higher price could suggest that Company A's products or services are superior in quality. Harley-Davidson used this with great success. Although Harley-Davidson uses many of the same parts suppliers as Kawasaki, Yamaha, and Honda, they price well above the competitive price of these competitors. Harley's high prices—combined with its customer loyalty and mystique—help overcome buyer resistance to higher prices. Production efficiencies over the last two decades, however, have made quality among motorcycle producers about equal, but pricing above the market signals quality to buyers, whether or not they get the quality premium they pay for.

STRATEGIES FOR NEW AND ESTABLISHED PRODUCTS

Product pricing strategies frequently depend on the stage a product or service is in its life cycle; that is, new products often require different pricing strategies than established products or mature products.

*New Product Pricing Strategy

Entrants often rely on pricing strategies that allow them to capture market share quickly. When there are several competitors in a market, entrants usually use lower pricing to change consumer spending habits and acquire market share. To appeal to customers effectively, entrants generally implement a simple or transparent pricing structure, which enables customers to compare prices easily and understand that the entrants have lower prices than established incumbent companies.

Complex pricing arrangements, however, prevent lower pricing from being a successful strategy in that customers cannot readily compare prices with hidden and contingent costs. The long-distance telephone market illustrates this point; large corporations have lengthy telephone bills that include numerous contingent costs, which depend on location, use, and service features. Consequently, competitors in the corporate long-distance telephone service market do not use lower pricing as the primary pricing strategy as they do in the consumer and small-business markets, where telephone billing is much simpler.

In a book titled *Pricing Policies and Strategies*, Bras-sington and Pettitt warn that low-pricing strategy for new products should be designed to achieve the right impressions in the target market or else consumers may interpret the low prices as constituting low quality value of the products on offer. Managers can overcome such hurdles by employing low introductory prices on a promotional basis and adjust the prices once a product achieves considerable market share.

Market skimming also serves as a reliable strategy for pricing new products. Market skimming involves setting high initial prices for new products to optimize revenue earnings and gradually reduce the prices as a product gains greater market share. Market skimming pricing strategy is particularly suitable to high technology products that have unique qualities and high entry barriers that dissuade competitors from making entry with undercut prices.

***Established Product Pricing Strategy**

Sometimes established companies need not adjust their prices at all in response to entrants and their lower prices, because customers frequently are willing to pay more for the products or services of an established company to avoid perceived risks associated with switching products or services.

However, when established companies do not have this advantage, they must implement other pricing strategies to preserve their market share and profits. When entrants are involved, established companies sometimes attempt to hide their actual prices by embedding them in complex prices. This tactic makes it difficult for customers to compare prices, which is advantageous to established companies competing with entrants that have lower prices.

In addition, established companies also may use a more complex pricing plan, such as a two-part pricing tactic. This tactic especially benefits companies with significant market power. Local telephone companies, for example, use this strategy, charging both fixed and per-minute charges. In a strategy aimed at protecting its market share, 3 Group, the 3G mobile broadband operator in the United Kingdom launched the “3 Like Home” in 2007, a pricing policy that allows 3G customers to utilize other 3G networks for a price similar to that on their home network. This is a rare pricing strategy through which the 3 Group extends transparent and attractive pricing on an established product while expanding its market share among customers who are frequent travelers.

UNIT 4

PROMOTIONAL DECISION

Promotion refers to making a product or service known to the customer. Its goal is to increase brand awareness, build customer loyalty, and generate more sales. Promotion decisions refer to the identification of promotional goals as well as the resources and tools needed to achieve those goals.

In promotion mix, the three main promotional objectives are: inform the market, increase demand, and increase the offer. Reduce the price, increase the supply, differentiate a product. inform the market, increase demand, and differentiate a product.

*Types Of Promotion Strategies

- Pull Promotion Strategy. As Ahrefs explains, pull and push marketing are two strategies with complementary tactics. ...
- Push Promotion Strategy. Push promotion “pushes” your product to your customers. ...
- Sales Promotion Strategy. ...
- Retail Promotion Strategy. ...
- Ecommerce Promotion Strategy.

Promotion Decision Process

- **Defining the problem**: The business has to understand the need. It can consider the audience, product, or service for promotion. The promotion decision solves this problem.
- **Decide objectives:** The company should then set goals. These objectives are the end goals of the promotion decisions. It can increase sales or brand awareness.
- **Promotion mix:** The management must decide the strategies. The promotion mix has details about techniques the company follows. It can be advertising or direct selling.
- **Promotion program**: The management decides the scope of the program. It considers the budget, period, and resources. The result depends on the promotion duration.
- **Pre-testing**: The company should test on a small scale. This testing helps understand customer feedback. It is before a large-scale launch.
- **Implementation**: The company should understand the pre-testing results. It should make any required changes. After that, the program should be fully implemented.
- **Monitoring and evaluation**: The management must monitor the program. It will help make the changes. Also, they will understand customer needs. It is essential for product upgrades. It should measure the performance as per the goals.

*Importance of Promotion Marketing Strategies

Every brand has to invest in promotions after a stage. That's what helps sustain and increase sales. Read below the **importance of promotion decisions**.

- **Product awareness**: Promotion decisions help in quick product awareness. Potential customers can learn about the company. They can clear doubts and understand product features. It is necessary for new companies. This awareness increases the overall customer base.
- **Sale of goods**: Promotion decisions aim at increasing sales. The companies invest in advertising or sales promotions. The customers learn about the services. The agents also go door-to-door for better customer convenience. These strategies help in better sales. Companies looking to increase revenue should boost promotions. It can help in getting a better market share.
- **Sales support**: Promotion also requires following up. Customers often receive calls from businesses after sales. They can give reviews and resolve issues. This sales support helps build loyal customers. They should easily be able to contact the company after buying.
- **Manufacturer and consumer gap**: The manufacturer can communicate with the customers through promotion. They can create an advertisement or promotional message. It helps fulfill the gap.
- **Facing competition**: Markets like consumer goods have high competition. It is not easy to sustain without promotions. That's why the correct promotion decisions help face and overcome market competition.
- **Large-scale selling:** Promotion allows brand awareness on a large scale. The company can run international campaigns. It will help increase sales multifold.

*Ethical Issues in Promotion Decisions

Promotion should be an ethical practice. But, several businesses engage in unethical practices as follows.

- **False claims:** Companies often tell false features to lure customers. They find out the claim only after the sales.
- **Bait and swap:** Companies often inform customers about low-priced goods. But, they keep a low stock. The companies instead sell a higher-priced item when the customer visits.
- **Special prizes**: Many frauds happen with prize claims. Companies inform customers they've won a contest. But, they are often required to buy something to claim it. It results in fraud.
- **Sale price manipulation**: Companies increase the marked price. They further show discounts to sell the products. The final price remains the same as the original product rate.
- **Pressurizing customers**: Door-to-Door salespersons often pressurize customers. They disturb them and often use emotional techniques to sell goods.

COMMUNICATION PROCESS

The communication process is a dynamic framework that describes how a message travels between a sender and receiver using various communication channels. Its goal is to ensure the receiver decodes the message correctly and can provide feedback with ease and speed. This is especially important for larger organisations that need to notify people in different areas and time zones about an event, problem or change.Technology in the workplace has made the communication process more effective. A message is no longer communicated just through voice or writing; it is also shared through audio, video, email and social media. A communication process streamlines the flow of information and takes advantage of multiple channels in the best way possible.Communication processes need good management to sustain them in the long-run. Leaders in the workplace establish the style, tone and function of communication. If you are in a position of authority, it is especially important that you model good communication.

*Components of Communication Process:

1. Sender: The person who conceptualised the idea and wants it delivered to the recipient.

2. Encoding: The way the information is described or translated into a message.

3. Message: The idea, fact or opinion that the sender wants to communicate.

4. Communication channel: The method of delivering the message.

5. Receiver: The target audience of the message.

6. Decoding: The interpretation of the message.

7. Feedback: The response or action a receiver takes after decoding a message.

*Communication Process Working

The communication process works through a series of seven steps, they include:

1. The sender develops an idea to be sent

Communication begins with an idea. For you to construct a clear and actionable message, you need to organise your thoughts. To understand the purpose of your message, answer these three essential questions:

Who do you want your message to reach?

What information does the receiver need to know?

What do you want the receiver to do with this information?

2. The sender encodes the message

Once the sender develops an idea, they need to present the message in a coherent structure. Ask yourself the following questions to understand the receiver's communication style better:

Is the receiver knowledgeable about the topic?

Does the receiver prefer a general overview or detailed information?

Do you need to provide any additional resources to aid their judgement?

Can you think of any distractions, such as preconceived ideas, that could influence their interpretation of the message?

3. The sender selects the channel of communication that will be used

Think about how you need to send your message. The communication channel you use should organise your information in a way that enhances your point. Consider the four main types of communication channels when making your decision:

Verbal: Face-to-face, telephone, video conferences, presentations and visual media

Non-verbal: Eye-contact, facial expressions, body language and dress code

Written: Emails, newsletters, press releases, text messages, social media posts, records, proposals and other business documents

Visual: Graphs, charts and drawings

4. The message travels over the channel of communication

The sender should select an appropriate medium for the message. This will depend on your relationship with the receiver, the purpose of your writing and the urgency of the message.Technology has made it faster than ever to share important information. However, in the business environment, formal written communication, such as contracts and legal documents, continues to exist to safeguard the interests of an organisation and its employees.

5. The receiver receives the message

Next, the recipient receives the message. The receiver will process the message according to the communication channel the sender uses. For example, the sender could deliver the message by speaking to the receiver face-to-face. For more formal messages, the sender may present the message during a board meeting instead.

6. The receiver decodes the message

The receiver then decodes the sender's message. In this stage, the receiver processes the information, understands its context and analyses its implications. This is one of the most crucial stages in the communication process. If the receiver can successfully decode the message, this implies the effectiveness of the communication process. As a result, businesses can continue their operations with little disruption.

7. The receiver provides feedback

Feedback is the most important step in the communication process. Ask yourself the following questions to analyse and improve your future communication:

Have you arranged a process for collecting feedback?

Have you given the receiver an opportunity to ask questions?

Can you pick up on non-verbal cues to understand how the message has been received?

Could you have done anything differently to achieve a better result?

PROMOTION MIX

A promotion mix is a set of different marketing approaches marketers develop to optimize promotional efforts and reach a broader audience. The marketer's task is to find the right marketing mix for a particular brand**.**

*Significance of Promotional Mix

- **Improves the effectiveness of promotional campaigns.** Promotion is a crucial part of any business, so companies develop a promotion mix, putting all efforts to make promotions at the right place, at the right time, and to the right audience. It helps one get the most out of their marketing resources by optimizing their budget and saving time.
- **Helps segment the audience.** To develop a compelling promotion mix, a company needs to identify its target audience. Potential subscribers may include various groups of people who have something in common, for example, age, gender, preferences, etc., and they all require an individual approach. A promotion mix is a key method for delivering a relevant promotion message via the most suitable channel for each segment.
- **Improves communication with clients.** Companies develop a promotion mix trying to speak their consumers' language. If prepared correctly, it helps build trust between the brand and its customers. This is a crucial factor in lead nurturing and customer retention. For example, automated email campaigns help achieve these goals by responding to people's actions instantly.

- **Informs subscribers.** Some promotions, on Instagram for example, aim to show the product from the best angle, and others, like SMS, emphasize the advantages of local services. When using a promotion mix, companies define the best ways to educate people about the products and services they provide.
- **Stands out from the crowd.** People are bombarded with all sorts of advertising at every turn. With a promotion mix, it is possible to stand out from the crowd without creating chaos in your customers' heads. Successful companies make quality prevail over quantity, promoting their product or service at the right place and right time.

*Components of a Promotion Mix

1. **Advertising.** This is a non-personal promotion of products and services. Marketers use advertising as a vital tool for increasing brand awareness. Advertisers show promotions to masses of people using email, webpages, banner ads, television, radio, etc.
2. **Direct selling.** This is a one-to-one communication between a sales representative and a potential customer. Direct selling influences people to decide to buy certain products or services. It is one of the most effective ways of promoting your brand because the sales rep can tailor the promotion precisely to those who are most likely to make a purchase. On the other hand, this is the most expensive form of sales because companies need to pay for one person's time.
3. **Sales promotion.** This is a set of short-term activities that are designed to encourage immediate purchase. Sales promotions are a campaign that uses time-sensitive offers — sales, discounts, coupons, etc., to engage existing consumers and bring in a larger audience. Many companies make this a core component of their marketing efforts, though sometimes it's the most annoying type of communication for people.
4. **Public relations.** This type of promotional method determines the way people treat the brand. Companies using PR try to build a firm and attractive brand image by planting interesting news stories about their activities in the media. Public relations are not fully controlled by the company, though, as some reviews and webpages may negatively highlight the brand. If a company adequately solves these issues, people will reward them with positive word-of-mouth consideration.

ADVERTISING

Advertising is a marketing tactic involving paying for space to promote a product, service, or cause. The actual promotional messages are called advertisements, or ads for short. The goal of advertising is to reach people most likely to be willing to pay for a company's products or services and entice them to buy.

*Importance Of Advertisement

Advertisements are important for businesses because they are the most direct and proven way to reach potential customers. They can have an instant impact on your business in a number of ways, including:

- **Brand awareness**: Advertising can make your target audience aware of your existence, helping them take the first step into the sales funnel.
- **Brand reputation**: Carefully crafted messages can tell an audience what your brand stands for and how you work. By sharing your mission, philosophy, values and track record, you can use advertising to build an enviable reputation.
- **Corrections and apologies**: Advertising can grant you the opportunity to apologise for a slip-up or correct the record if you feel as though something has been misrepresented.
- **Sales**: Last but not least, the overwhelming majority of ads are designed to increase sales, whether by directly promoting a specific product, service or deal or by any of the less direct methods listed above.

*Types of advertisement

The vague definition of advertising offered at the top is a consequence of the variety of different forms ads come in and channels they're delivered through.

- **Print advertising**: Print ads see ink printed on paper. Newspapers, magazines, brochures, posters, flyers and direct mail are all examples of print advertising.
- **Broadcast advertising**: In years gone by the term 'broadcast advertising' covered radio and TV, though these days the line between these formerly analogue channels and digital streaming services is blurrier than ever.
- **Outdoor advertising**: Bus stops, billboards, blimps, banner planes, other things that don't start with 'B' – outdoor advertising treats the whole world as an advertising stage.
- **Product integration**: Perhaps the most subtle form of advertising, product integration sees products and brands included (and implicitly promoted) in film, TV, Instagram, YouTube and other forms of media.
- **Digital advertising**: Over the last couple of decades digital advertising has overtaken all the other forms listed above. In fact, it really deserves its own section.

PERSONAL SELLING

Personal selling involves person-to-person communication, which requires interpersonal skills and expertise to persuade leads to buy products and services. There are many different types of personal selling, including retail sales, business-to-business sales, and telemarketing.

*Types of Personal Selling

- **In-Store Sales**: When you walk into a store and there's someone to help you find what you need, That's in-store sales. ...
- **Outside Sales:** These sales reps hit the road, meeting clients face-to face.
- **Telemarketing:** It is like chatting with potential customers over the phone

*Uses Of Personal Selling

- **Highly specialized offering:** Personal selling is an effective way to introduce a specialized product, as it allows you to explain and demonstrate how the product is specifically tailored to your prospect's needs. It also allows for more personalized conversations with potential customers, allowing them to ask questions and learn about the benefits of the product.

- **Small market with a few large buyers:** When there are only a few buyers in the market, you can reach them all through personal selling. Your sales reps can visit each buyer directly and provide detailed information about your product, convincing them of its value.

- **High-end/complex product:** Personal selling is especially useful when selling high-end or complex products. It allows you to explain why the customer should invest in this product, rather than settling for cheaper options available on the market. You can also demonstrate how the product works in detail, which is often necessary with more complicated items.

- **Highly competitive market:** You'll need something to make your product stand out from the rest if you're in a highly competitive market. This can be done through personal selling. Your sales rep can demonstrate how your product is different and has features that other products don't.

- **Lack of funds for other advertising channels:** There are times when your company isn't doing very well. But even if you can't afford other advertising channels, such as TV or radio advertisements, you can still use personal selling to market your products.
- **Trade show or an exhibition to leverage:** Personal selling is perfect for leveraging trade shows and exhibitions, as you can use these events to introduce your product to a large group of people at the same time. Your sales reps can also go ahead and engage with each interested customer individually, explaining why they should choose your product over the competition.

*Personal Selling Techniques

1. Focus on the right leads

With the extra time and monetary investment required for face-to-face sales meetings, it's essential businesses lock down ROI by choosing the right prospects to meet in person through a comprehensive lead-qualifying process.

Not every meeting will lead to a sale, but you can get yourself closer to hitting those sales stats by asking yourself:

What is the value of this potential sale?

What is the size of the business you're selling to?

Is your product or service genuinely going to serve the business well?

Could building a strong relationship with the DM lead to more business down the line?

Is a sales meeting actually going to help close the sale? Perhaps the DM is extremely time-poor and prefers email or telephone communication?

What value can you add in a sales meeting?

2. Exceed expectations through preparation

Salespeople who turn up to a meeting without preparing properly are a serious irritant for buyers. In fact, 82% of B2B buyers think sales reps are unprepared. This suggests that many prospects have been deterred from sales meetings – which they may consider a waste of time – due to negative past experiences.

It's your job to change their mind.

Buyers don't want to work with pushy salespeople. For buyers, a positive sales experience involves a sales representative who listens to their needs is invested in the success of their business provides relevant information

4. Make it clear you're in this together

The best-performing sales reps use collaborative words like "we" or "us" instead of words like "I" or "me." This is a simple method for making the prospective buyer feel like you're on their side and want nothing more than to see their business thrive.

Asking intelligent, in-depth questions surrounding their business challenges, and coming back with potential solutions related to your products and services, takes this a step further, as does turning up to the meeting with the research and data outlined above.

However you do it, make sure your client leaves the meeting seeing your relationship as a partnership.

5. Tell a story

An important stat to remember when crafting your pitch: following a presentation, 63% of prospects remember stories, but just 5% remember statistics. Storytelling hooks in prospects significantly more than a bunch of dry numbers.

Turn how you can add value to your client into a story, with a clear beginning (now), middle (how you'll work with them) and end (the results they can expect).

Ensure case studies are told in story form, too. Where relevant, you can also tell the story of your company to gain buy-in: you'll be seen less as a faceless entity, and more as a friendly brand.

PUBLICITY

Publicity is often associated with promotional activities and may involve advertising, sponsorships, product placements, or other paid media tactics to gain exposure and media coverage. Public relations focuses on building credibility, trust, and positive relationships through authentic and strategic communication.

***Functions of Publicity**

The functions of publicity include:

1. Creating awareness: Publicity aims to generate awareness and attention by disseminating information through media channels, press releases, interviews, or news stories. It helps bring a person, organization, or product into the public eye.
2. Generating media coverage: Publicity seeks to attract media coverage and capture public interest through compelling and newsworthy stories or events. It involves actively pitching stories to journalists, editors, or media outlets.
3. Enhancing visibility: Publicity endeavors to increase visibility and exposure for a person, organization, or product by leveraging media platforms, social media, events, or promotional activities.

PUBLIC RELATIONS (PR)

PR to the strategic communication and management of relationships between an organization or individual and the public or stakeholders. It involves planning, executing, and evaluating communication initiatives that aim to build and maintain a positive image, reputation, and mutually beneficial relationships with the target audience. PR encompasses a broader range of activities beyond publicity and includes strategic communication, media relations, crisis management, community engagement, and more.

*Functions of Public Relations

The functions of public relations include:

1. Building relationships: PR focuses on building and nurturing relationships with various stakeholders, including the public, media, customers, employees, investors, and the community. It aims to establish mutual understanding, trust, and positive connections.
2. Managing reputation: PR plays a crucial role in managing the reputation and image of an organization or individual. It involves developing and implementing strategies to maintain a positive public perception and respond effectively to potential reputation threats.
3. Strategic communication: PR encompasses strategic communication planning, message development, and execution across various channels. It aims to ensure consistent and effective communication with the target audience, stakeholders, and the public.

* Characteristics of Public Relations

1. **Relationship-oriented**: PR places a strong emphasis on building and maintaining relationships with stakeholders. It aims to foster positive relationships, mutual understanding, and trust.
2. **Strategic and holistic:** PR takes a strategic and comprehensive approach to communication, encompassing various activities such as media relations, community engagement, internal communication, crisis management, and reputation building.

ADVERTISING BUDGET

An advertising budget refers to the amount of money allocated by a company or agency for expenses related to the promotion of its products or services. In the context of project management within agencies, the advertising budget forms a crucial part of the overall project budget.

*Determine an advertising budget

Setting an advertising budget involves a strategic process that considers various aspects. Agencies first need to comprehend client objectives, which can help in steering the budget toward tactics that align with these goals. Additionally, agencies should take into account radio advertising costs if the target audience consumes that media.

Understanding the competitive ad budget within the market and industry norms provides invaluable insights into the level of investment necessary to compete effectively. The size and the nature of the target audience could influence the selection of advertising channels, and thus, the associated costs.

Budgeting will help agencies understand what percentage of their revenue should be spent on marketing. By taking into account the marketing budget percentage in relation to revenue, agencies can design advertisements aimed to maximize client objectives and ROI.

COPY DESIGNING AND ITS TESTING

Advertising copy designing means arrangement of various components to make effective advertisement. The right place of headline, sub headline, slogans, text, illustrations, closure and logo are important here. In the audio visual commercials, advertisement design is also known as story board or timeline which is a series of pictures with audio to run on the screen in a coordinated manner to make the full video feel. Selecting theme is very important for any advertisement copy. Themes can be humour, tragedy, pity, pride, beauty, sex, ethnocentrism etc.. Copy testing. The set of nine principles, called PACT (Positioning Advertising Copy Testing), defines copy testing as research which is undertaken when a decision is to be made about whether advertising should run in the marketplace. Whether this stage utilizes a single test or a combination of tests, its purpose is to aid in the judgment of specific advertising executions.

*Principles Of Copy Testing

1. Provide measurements that are relevant to the objectives of the advertising.

2. Require agreement about how the results will be used in advance of each specific test.

3. Provide multiple measurements.

4. Be based on a model of human response to communications—the reception of a stimulus, the comprehension of the stimulus, and the response to the stimulus.

5. Allow for consideration of whether the advertising stimulus should be exposed more than once.

6. Require that the more finished a piece of copy is, the more soundly it can be evaluated and require, as a minimum, that alternative executions be tested in the same degree of finish.

7. Provide controls to avoid the biasing effects of the exposure context.

8. Take into account basic considerations of sample definition.

9. Demonstrate reliability and validity.

*The copy testing process

1. Concept generation research. The concept generation research is conducted very early in the campaign development process in order to explore the targeted consumer's response to a potential ad or campaign or have the consumer evaluate advertising alternatives.

2. Rough Art, Copy, and Commercial Testing.

Advertisers are increasingly spending more monies testing a rendering of the final advertisement at early stages because creating an advertisement is a costly process. Tests of rough art, copy and commercials include comprehension and reaction tests and consumer juries. Again, the Internet allows field settings to be employed.

1. Comprehension and reaction tests:- How consumers comprehend and react to the advertisements are measured here.

2. Consumer juries. This method uses consumer's representative known as consumer jury of the target market to evaluate the probable success of an advertisment.

3. Pretesting of Finished Ads. Pretesting finished ads is one of the more commonly employed studies among marketing researchers and their agencies. At this stage, a finished advertisement or commercial is used; since it has not been presented to the market, changes can still be made.

4. Posttests of Print Ads A variety of print posttests are available, including inquiry tests, recognition tests, and recall tests. In inquiry tests, tests are designed to measure advertising effectiveness on the basis of inquiries generated on the basis of recognition by the consumers and in recall test, the measurement is based on the recall by the consumers.

TOOLS OF SALES PROMOTION

1. Coupons:

Coupons are issued by producers of packaged goods or by retailers that enables customers to buy the product next time at a reduced price. These coupons are either advertised by producers/retailers in newspapers or distributed in weekly flyers via mail across households. For examples, Big Bazaar issues coupons for selected items in their weekly flyers that are distributed via mail or along with newspapers.

2. Free Samples

Free samples are small and packaged portion of the (main) merchandise distributed for free. Free samples are developed for introducing new products. These samples may be distributed door-to-door (through personal selling) or retail stores. For examples, Sensodyne Toothpaste meant for relieving tooth sensitivity is unique product introduced in India. The manufacturer of Sensodyne has been reaching out to local dentists of Mumbai who have been distributing free sample of these toothpastes to create awareness among their patients.

3. Price-Off Offer

This involves offering products to consumers at discounted or reduced prices by a certain percentage from the regular price of the product. This activity aims at attracting consumers to other or newer brands, seasonal and unseasonal goods. For example- a 15 to 60 percent off on clothes before some festive season in retail shops are examples of sales or sales promotion.

4. Fairs and Exhibitions

Fairs and exhibitions may be organised at local, regional, national or international level to introduce new products, demonstrate the products and to explain special features and usefulness of the products. For example- ‘International Trade Fair’ held in New Delhi in November every year.

5. Free Gifts

Producers may distribute a free gift along with their product as a incentive to the consumers for purchasing the product. For example- milkshake along with Nescafe, toothbrush along with a toothpaste.

6. Competitions or Contests

Producers can organise competitions or contests among salespersons to encourage them to generate more sales from new customers. Companies can offer a car or consumer durables for generating a certain percentage sales in a particular month or quarter.

7. Free Service:

Producers/retailers may promise free service to consumers for a specified period of time after sales. For example- few car retailers offer free servicing for the first 6 months if certain car components are damaged or are under performing.

8. Special Rebate

Rebate is a partial refund to someone who has paid more or extra on purchase of a specified quantity or value of goods within a specified period. Unlike, price cut off or discounts, rebates are provided after the full payment of full invoice amount.

9. Full Finance @ 0%

Under this method, the product is sold and money is received on installment basis at 0% or without interest rate. The seller determines the number of installments in which the price of the product will be recovered from the customers.

10. Scratch and Win Offer

Under this scheme, a customer scratches a specific marked area on the package of the product and gets the benefit according to the message written therein.

11. Money-Back Offer

Under this scheme customers are given assurance that full value of the product will be returned to them if they are not satisfied after using the product. This creates confidence among the customers with regard to the quality of the product.

12. Exchange Schemes

It refers to exchange of old product for a new product at a price less than the original price of the product. This is useful for drawing attention to product improvement. Example —"Exchange your black and white television with a colour television."

DISTRIBUTION CHANNEL

A distribution channel is the network of businesses, individuals, and intermediaries facilitating the journey of a product or service from the manufacturer to the end consumer. It encompasses the various pathways used to deliver goods to their final destination, such as wholesalers, retailers, and the Internet.

*Nature of Distribution Channel

The nature of the distribution channel can be understood below.

- A distribution channel connects producers to consumers by facilitating the movement of goods from the point of production to the point of consumption.
- It involves a network of intermediaries like wholesalers, distributors, retailers, agents, transportation companies, and warehouses that help transfer ownership of products from producers to end users.
- The main functions of distribution channels are to make goods available, promote goods, provide market information to producers, and reduce risks for producers.
- Products pass through various stages in the distribution channel - manufacturer, wholesaler, retailer, and finally, the consumer. At each stage, goods are physically handled, stored, promoted, and sold.
- The choice of distribution channel depends on factors like the nature of the good, target market, required market coverage, costs involved, and degree of control desired by the producer.
- An effective distribution channel can help maximize a company's reach, sales, and overall profitability by getting goods to target customers efficiently.
- Distribution channels help producers reach global markets. They extend the producer's reach beyond the local market to regional, national, and international markets. This helps increase sales volumes.
- Distribution channels provide market information to producers. The feedback and data gathered by intermediaries help producers improve their goods, identify new options and adapt to changing market conditions.
- Intermediaries in distribution channels perform various functions like storage, transportation, financing, risk-taking, promotion, and after-sales service. This reduces the workload and duties of producers.
- Distribution channels enable producers to focus on core activities like manufacturing and goods effect. The non-core functions related to getting goods to clients are handled by channel members.
- Effective distribution channels result in more efficient operations. Less inventory is needed at each stage since goods quickly move from one intermediary to the next. This reduces costs for all parties.

*Functions of Distribution Channels

The functions of distribution channels have been discussed below.

- Make goods available: The main function of distribution channels is to make goods physically available to target clients. This involves transporting, storing, and displaying goods at handy locations.
- Transfer ownership: Distribution channels facilitate the transfer of ownership of goods from the producer to intermediaries and finally to end clients. They move goods from one entity to another in the channel.
- Promote and sell goods: Channel members promote and sell goods on behalf of the producer to generate more sales and revenue. They undertake various marketing and sales activities.
- Provide market data: Intermediaries in distribution channels gather valuable market and client data which they pass on to the producer. This helps producers improve their goos.
- Reduce risks: Distribution channels help reduce risks for producers by sharing costs, risks, and uncertainties with channel members. This better the chances of goods success.
- Provide after-sales service: Some channel members help provide goods support, installation, maintenance, and repair services to clients. This enhances the product knowledge.
- Finance goods: Some intermediaries provide financing support to producers by paying for goods upfront or extending lines of credit. This reduces the producer's financial burdens.
- Reduce costs: An effective distribution system with multiple channel members can reduce inventory costs and overall operational costs via economies of scale.
- Extend reach: Distribution channels extend the producer's reach to broader markets beyond the local level, helping boost sales volumes and market share.
- Handle physical distribution: Channel members undertake the physical work of transporting, warehousing, and inventorying goods until they reach the final user. This reduces costs for producers.

*Types of Distribution Channel

1. Direct Channel (Zero Level)

_Direct channel or zero level is a distribution level through which an organisation directly sells its products to the customers without the involvement of any intermediary. For example, jewellers use direct channels, Apple sells its products directly to the customers through its stores, Amazon sells directly to the consumers, etc. Some of the most common types of direct channels of distribution are Direct sales by appointing salesmen, through Internet, teleshopping, mail order house, etc.

2. Indirect Channels

When a middleman or intermediary is involved in the distribution process, it means the organisation is using Indirect Channels of Distribution. The indirect channels of distribution can be classified into three categories; viz., One Level Channel, Two Level Channel, and Three Level Channel.

i) One-Level Channel

One level channel means that there is only one intermediary involved between the manufacturer and the customer to sell the goods. This intermediary is known as a retailer. In simple terms, under one level channel, the organisations supply their products to the retailers who sell them to the customers directly. For example, goods like clothes, shoes, accessories, etc., are sold by companies with the help of a retailer.

ii) Two-Level Channel

A most commonly used channel of distribution that involves two intermediaries for the sale of products is known as Two Level Channel. The intermediaries involved are wholesalers and retailers. The producer sells their products to wholesalers in bulk quantity, who sells them to small retailers, who ultimately supply the products to the customers. This channel is generally used to sell convenient goods like soaps, milk, milk products, soft drinks, etc. For example, Hindustan Unilever Limited sells its goods like detergent, tea leaves, etc., through wholesalers and retailers.

iii) Three-Level Channel

Three level channel means that there are three intermediaries involved between the manufacturer and the customer for the sale of products. The three intermediaries involved are Agent Distribution, Wholesalers, and Retailers. It is usually used when the goods are distributed across the country and for that different distributors are appointed for different areas. For example, wholesalers purchase goods from different distributors, like North India Distributors and then pass the goods to the retailers, who ultimately sell the goods to customers.

DISTRIBUTION CHANNEL

A distribution channel is the network of businesses, individuals, and intermediaries facilitating the journey of a product or service from the manufacturer to the end consumer. It encompasses the various pathways used to deliver goods to their final destination, such as wholesalers, retailers, and the Internet.

Channels of distribution can be sorted **into two main categories: direct and indirect.**

Direct Channel of Distribution

Is one where a company sells directly to the end consumer. For instance, an athletic apparel company who manufactures sports shoes and sells them through an e-commerce website or at their own retail store is employing a direct channel of distribution. Products go directly to the buyer with no intermediaries or intervening partners between them.

Indirect Channel of Distribution

It is one where companies work with one or more distribution partners or intermediaries to bring products and services to customers.

A distribution channel comprises various essential components that ensure a smooth product journey from manufacturers to end consumers. At its core, you'll find producers who initiate the process by creating these goods. Agents or brokers may step in to facilitate connections, while wholesalers and retailers serve as key intermediaries who play distinct roles in the product's passage. This dynamic interplay of producers, agents, wholesalers, retailers, and consumers constitutes the critical components of a distribution channel, harmonising to bring value to all involved parties.

DISTRIBUTION INTERMEDIARIES:

Independent groups or individuals that provide the channel for a company's product to reach the end user.

Intermediaries

Intermediaries, also known as distribution intermediaries, marketing intermediaries, or middlemen, are an extremely crucial element of a company's product distribution channel. Without intermediaries, it would be close to impossible for the business to function at all. This is because intermediares are external groups, individuals, or businesses that make it possible for the company to deliver their products to the end user. For example, merchants are intermediaries that buy and resell products.

There are **four** generally recognized broad groups of **intermediaries: agents, wholesalers, distributors, and retailers.**

1. Agents/Brokers

Agents or brokers are individuals or companies that act as an extension of the manufacturing company. Their main job is to represent the producer to the final user in selling a product. Thus, while they do not own the product directly, they take possession of the product in the distribution process. They make their profits through fees or commissions.

2. Wholesalers

Unlike agents, wholesalers take title to the goods and services that they are intermediaries for. They are independently owned, and they own the products that they sell. Wholesalers do not work with small numbers of product: they buy in bulk, and store the products in their own warehouses and storage places until it is time to resell them. Wholesalers rarely sell to the final user; rather, they sell the products to other intermediaries such as retailers, for a higher price than they paid. Thus, they do not operate on a commission system, as agents do.

3. Retailers

Retailers come in a variety of shapes and sizes: from the corner grocery store, to large chains like Wal-Mart and Target. Whatever their size, retailers purchase products from market intermediaries and sell them directly to the end user for a profit.

CHANNEL MANAGEMENT DECISIONS

Channel Management is a term which is very rigorously used in sales marketing. It is a concept wherein several techniques are used to develop various marketing and sales techniques.

Channel management decisions are crucial for firms to spread their goods or services. These decisions define how goods will reach buyers and play a vital role in earning firm goals.

But what exactly do channel management decisions mean? In simple terms, channel management decisions refer to the choices firms make in selecting, managing, and optimizing allocation channels. These decisions ensure the seamless delivery of goods or services to the target market. Channel management findings are crucial for firms to stay competitive and improve sales.

WHOLESALING

Wholesaling refers to selling goods to consumers such as retailers, industries, or any other entity in bulk quantities and at lower prices. A wholesaler buys products from the manufacturer in large quantities, splits them into smaller lots, repacks them further, and sells them to the next party. One key aspect of wholesaling is that it focuses more on the number of goods over their quality. This business does not require any publicity, marketing, or advertisement. Though, the company's large scale calls for considerable capital investment. The operations are entirely dependent on the clients your business has.

Wholesale business customers are spread in various cities, towns, and states. If you get into a wholesale company, you'll end up with most of your goods on credit. Your purchase price will remain less as the profit margins are usually low.

*Major Types of Wholesalers

1. Merchant Wholesalers

The wholesalers that purchase products directly from the manufacturer are called merchant wholesalers. There is no restriction on the channel where these products are ultimately sold, offline or online. These wholesalers are commonly used in the FMCG industry or the agriculture industry.

2. Specialized Wholesalers

Specialized wholesalers are those wholesalers who deal in specialised products only. For example – a used car wholesaler sells directly to other used car dealers.

3. Full-Service Wholesalers

As the name suggests, full-service retailers provide complete services to retailers. They generally operate in the retail market and deal in consumer durables or engineering products, taking responsibility for everything except the servicing of the product.

4. Limited Service Wholesalers

This type of wholesaler has a small turnover and sells products through a limited number of channels. For example, a wholesaler purchases products, stocks them and sells them online.

*Types of Channel Management Decision

There are different types of channel management decisions that firms need to consider. Let's find out some of the most typical ones that have been stated below.

1. Channel Selection

This decision affects picking the most proper media to reach the target market. It requires exploring client likes and viewing the worth of other channels, such as direct sales, retailers, wholesalers, or other media.

2. Channel Design

Once channels are set, firms need to design a channel structure that aligns with their overall plan. This decision includes choosing the number of mediators, the level of control, and the flow of goods or services from the manufacturer to the end buyer.

3. Channel Relationships

Building strong affinities with channel partners is crucial. This decision entails setting and working with channel partners, setting clear contact channels, and raising cooperation to achieve shared goals.

4. Channel Expansion

As firms grow, they may need to expand their allocation channels to enter new markets or cater to other buyer segments. This decision affects spotting market options and likely channel partners and running expansion plans well.Retailing refers to selling goods in smaller lots, without any purpose of further resale, to the end customers. Retailers are the middleman between wholesalers and end-users, as they purchase goods in bulk from wholesalers and sell them further to buyers at higher prices. The prices are comparatively higher because the retailer incurs many additional expenses. Expenses such as marketing costs, shipping and logistics costs, employee salaries, and warehousing costs are all included in the retail price of a product.

*Types of Retailers

1. Convenience Stores

The best thing about a convenience store is that it is located close to residential areas and hence, easily accessible to the customers. However, it's relatively small and offers a limited range of groceries, FMCG products, etc.

2. Departmental Stores

Compared to convenience stores, departmental stores are larger. This is because various departments, such as food, apparel, beauty & personal care, are under one roof.

3. Super Markets

A supermarket has even more space than a departmental store, offering even more categories of products. These also include home decor, electronics and much more.

4. Shopping Malls

Needless to explain, a shopping mall is a space enclosing a combination of various retail stores. These retail stores share the area and do business individually. For a customer, everything is easily accessible in a single place. This results in a better shopping experience for someone who wants to purchase multiple products of multiple categories.

5. Retail Chains

Retail chain refers to a chain of exclusively designed and promoted stores that deal in particular goods and services. These stores sell the same products under the same brand name, but multiple such stores are located in different regions. For example, jewellery stores by Tanishq.

6. Franchisees

Franchisee is an easier way of entering the retail sector. In a franchisee, a sizeable supporting organisation licenses a store to be owned and operated by you on its behalf. For example, Domino's, Burger King, etc.

7. Specialty Stores

As the name suggests, a speciality store is a shop that offers a particular category of products such as medicines, stationery, food items, etc. The reach of this kind of store is limited to one specific retail market.

8. Factory Outlets

Factory outlets are those retail stores that sell the products directly to the customers at relatively low prices, without the involvement of any middlemen. Manufacturers own and operate these outlets. For example, the factory outlets of Reebok.

PHYSICAL DISTRIBUTION MANAGEMENT

Physical distribution management is the process of planning, implementing, and controlling the efficient and effective storage and movement of goods between the point of origin and the point of consumption.

Decision Area

The physical distribution considers many sales distribution channels, such as wholesale and retail, and includes critical decision areas like **customer service, inventory, materials, packaging, order processing, and transportation and logistics.**