Unit- III

MARKETING MANAGEMENT

What is Marketing Management?

Market

Market is a place where buyers and sellers meets and goods and services are exchanged by payment of money or anything else.

Marketing

Marketing is defined as a social and managerial process by which individual and groups obtain what they need and want through creating, offering and exchanging products of value with each others. ---- Philip Kotler

Marketing management

It can be define as a art and science of choosing target volume and getting keeping and growing customer to creating delivering and communicating superior customer value.

NATURE OF MARKETING MANAGEMENT

Marketing as a process:-

Marketing is a process that marketing managers execute. In a number of instances, a marketing manager does not manage people, but manages the marketing process. A product manager is an example of such a marketing manager; s/he manages the marketing process for a product within a larger marketing organization. We, as consumers, see the results of that process in the form of products, stores, shopping malls, advertisements, sales pitches, promotions, prices, etc. This process usually involves four phases.

- ✓ **Analysis:-** Markets must be understood, and this understanding flows from analysis. Marketing managers spend weeks analyzing their markets before they undertake the development of marketing plans for influencing those markets.
- ✓ **Planning:-** Once a market is understood, marketing programs and events must be designed for influencing the market's customers and consumers, and even the firm's competitors.
- ✓ **Execution:-** The marketing events are executed in the markets: advertisements are run, prices are set, sales calls are made, etc.
- ✓ **Monitoring:-** Markets are not static entities and thus must be monitored at all times. After events execute, they need to be evaluated. The planning assumptions upon which the upcoming events are based must be continually tested; they are not longer true then the events may need modification.
- ✓ **Marketing**: Marketing as a social process by which individuals and groups obtain what they need and want through creating, offering exchanging products and services of value with others.

  Selling versus Marketing:

  Selling refers to the act of transferring the ownership of the goods and services from the seller to the buyer.

  Marketing refers to the whole process encompassing the entire range of activities starting from identifying the customer's requirements to satisfying these in a mutually beneficial manner.

✓

Selling	Marketing
1. Product enjoys the supreme importance	1. Customer enjoys unique importance
2. Emphasis on company (sellers) needs	2. Emphasis an market customers needs
3. Company oriented selling effects	3. Market oriented selling effects
4. Goods are already produced and then sold as profit	4. customers demand determines production supply is adjusted to demand
5. Selling aims at short-term objectives	5. Marketing aims as long-term objectives
6. Top priority is given to sales volume rather than profits increasing sales	6. To priority is given to profitable volume of sales and market share at fair prices and reasonable risk
7. Production oriented	7. Customer oriented.

MARKETING FUNCTIONS

1) Marketing research
2) Sales forecasting
3) Advertising
4) Sales promotion,
5) Selling
6) Standardization
7) Packing
8) Grading and Branding
9) Storage (Ware housing)
10) Servicing.

1) **MARKETING RESEARCH**: Marketing research is one of the important functions of marketing. Marketing research is the systematic gathering, recording and analyzing of data relating to the marketing of goods and services to the customers and also the firm has to identify the customer's needs and wants and exploring new products with superior features to the customers.

Analyzing the market potentials for existing products and estimating demand for new products by research on markets and deciding pricing policies on products.

2**) SALES FORECASTING**: Sales forecasting is the process of estimating the sales in the future based on marketing research. Based on the sales forecast the company plans its production.

3) **ADVERTISING:** In order to survive in the market a new product is to be advertised through proper channels. Through advertising the product can reach the customers and thereby increasing the sales can be done. Major advertising Medias are –Newspapers, TV, Magazines, and Radio etc.

4) **SALES PROMOTION**: The purpose of sales promotion is to create and stimulate demand. Sales promotion involves activities and elements of promotion like-temporary price reductions, displays, coupons and free sample distributions.

5) **SELLING:** Selling refers to the act of transferring the ownership of the goods and services from the seller to the buyer.

6) **STANDARDIZATION**: It is the process of selling up standards to produce goods. Standards are set with regard to size, shape, color, design and material. Standardization calls for interchangeability of various machine parts.

7) **PACKING:** packing means a container, wrapper or case for packing goods. It acts like an silent sales man of the manufacturer, particularly at a place where there is a wide spread use of self-services.

8)**GRADING & BRANDING**: The system of dividing products into different classes according to their size, quality and characteristics' is known as Grading.

Branding means giving a name to a particular product so that the consumer is able to distinguish this product from other similar products and knowing and remaining by the consumer. The brand may consist of word, a symbol, or a number.

9) **STORAGE**: It involves making of proper arrangements for retaining goods in a perfect state till they are needed by the consumers and are to be taken to the market place.

MARKET SEGMENTATION

Introduction:

A market segment is a subgroup of organization sharing one or more characteristics that cause them to have similar product needs.

Markets consist of buyers who differ in one or more respects. They may differ in their wants, resources, geographical locations, attitudes and buying practices. It is therefore necessary for a marketer to segment his/her market.

Market Segment

Market segment – A group of individuals, groups or organizations sharing one or more similar characteristics that cause them to have relatively similar product needs and buying characteristics

Market segmentation is the process of dividing a market into meaningful groups that are relatively similar and identifiable. (Kotler et al.,2009).

The purpose of segmentation is to enable the marketer to tailor the marketing mixes to meet the needs of one or more specific segments. Market segmentation helps the firm to identify the customer's needs more accurately and precisely, and it can upgrade the performance of the firms. Marketing objective is more definitely defined and resources are better allocated by doing segmentation.

The process begins with a basis of segmentation—a product specific factor that reflects differences in customers' requirements or responsiveness to marketing variables (possibilities are purchase behavior, usage, benefits sought, intentions, preference, or loyalty).

Through market segmentation the firm can provide higher value to customers by developing a market mix that addresses the specific needs and concerns of the selected segment.

Benefits of Market Segmentation:

There are a number of reasons organizations undertake segmentation

- **Products are designed to be responsive to the needs of the marketplace**
- **Increase profits**
- **Effective Resource Allocation**
- **There is product differentiation** (Various products are made to meet the needs of each customer segment)

Variables / Bases For Segmenting Consumer Markets

The following variables are commonly used to segment consumer markets.

1) **Geographic segmentation** This calls for dividing the market into different geographical units such as Nations, States, Regions – West, North, Central, South, etc. Countries, Cities or Neighborhoods

Geographical segmentation assists the seller to position retail outlets in most appropriate locations as well as simply identifying the needs on the basis of the consumers own location.

2) **Demographic segmentation** This consists of dividing the market into groups on the basis of demographic variables such as: Age, sex, family size, family life cycle, income, education, occupation, religion, race and nationality.

3) **Psychographic segmentation** Psychographics are psychological profiles of different consumers developed from research, sometimes referred to as A.I.O. (Attitudes, interests and opinion profiles)

In psychographic segmentation, buyers are divided into different groups on the basis of their: Motives, Lifestyle and/or Personality characteristics. People within the same demographic group can exhibit very different psychographic profiles.

Consumers can thus be subdivided on the basis of the following psychographic variables.

i. Lifestyle Consumers' lifestyles are derived from their activities, interests and opinions. Each life style group is influenced by different marketing mixes.

ii. Personality Type of personality groups may include;

Authoritarian, Ambitious, Assertive, Self-confident, Prestige, conscious, Extrovert/ Introvert

4) **Behavioral segmentation** Buyers are divided into groups in the basis of their, Knowledge, Attitude, Use or Response to a product.

In this respect, behavioral variables that are used to segment consumer markets include:

i) Occasions benefits Buyers can be distinguished according to occasions when they Purchase product or Use a product

ii) User status Many markets can be segmented into Nonusers, Exusers, Potential users, First time users and Regular users of a product All these people require different marketing approaches.

iii) Usage rate Markets can be segmented into Light, Medium and Heavy user group of products.

iv) Buyer readiness stage At any given time, people are in different stages of readiness to buy a product; Some people are aware, Some are informed, Some are interested, Some are desirous of buying, Some intend to buy.

v) Attitude People in a market can be classified according to their degree of enthusiasm for a product.

Five attitude classes can be distinguished e.g. Enthusiastic, Positive, Indifferent, Negative and Hostile.

MARKET TARGETING

Market targeting is the process of evaluating each market segments attractiveness and selecting one or more segments to enter (Kotler et al.,2009).

Market targeting is essential for each marketer to provide better products and services that fulfill the needs of those segmented groups. It suggests a focus or direction to all marketing activities.

Therefore, a marketer needs to do the market segmentations before they begin their target marketing to know the precise needs of the people according to their segmentation.

Major steps in Target marketing

(i) **Market Segmentation**: the first step is dividing a market into smaller groups of buyers with distinct needs, characteristics or behaviors' who might require separate products or marketing mixes. the company identifies different ways to segment the market and develops profile s of the resulting marketing segments.

(ii) **Target Marketing**: the second step is evaluating each market segments attractiveness and selecting one or more of the market segments to enter.

(iii) **Market Differentiation**: differentiating the firms market offering to create superior customer value is the third step.

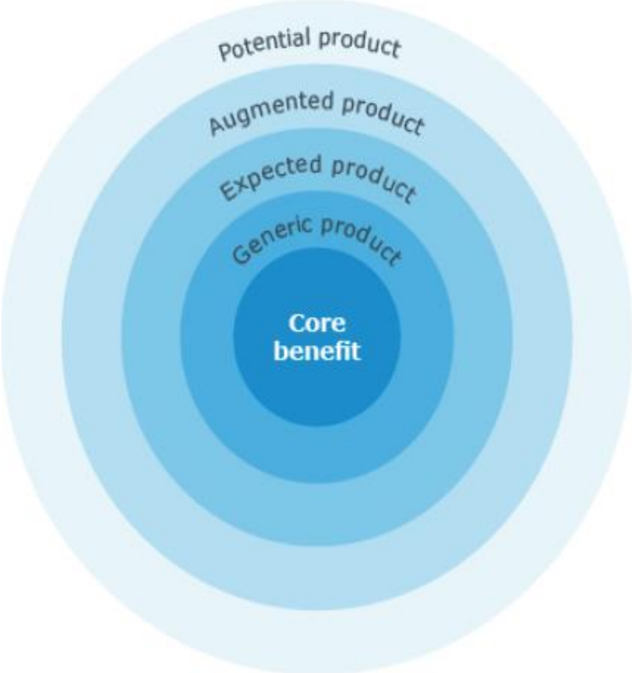
(iv) **Market Positioning**: the final step is setting the competitive positioning of the product and creating a detailed marketing mix.

PRODUCT LEVELS

Products can be described in many ways. Similarly, each can have multiple levels satisfying the consumer's needs and wants. The more flexibility a business has to configure products to different customer segments at minimal cost, the more segments they can target with the core product. Which is why it is vital to develop new products with flexibility as a key feature.Philip Kotler, an economist, devised a model that recognizes customers have five levels of need, ranging from functional or core needs to emotional needs.

Customers will choose a product based on their perceived value of it. Satisfaction is the degree to which the actual use of a product matches the perceived value at the time of the purchase. A customer is satisfied only if the actual value is the same or exceeds the perceived value.

Kotler attributed five levels to products:



1. **Core** Product**:**

The fundamental need or want that consumers satisfy by consuming the product or service.

2. Basic Product :

All the ingredients and other items which enable the the product to satisfy the core are together known as the basic product.

3. Expected Product :

The expected product is the set of features the consumer wishes to have from the bought product. Quality is one of the main examples.

4. Augmented Product :

This can be defined as the product going beyond what the consumer imagines to achieve from the purchase.

For a company, this means adding extra features to the product. Such objective tends to be expensive, but the benefits are worthwhile and one of them is praise from customers. Such event significantly contributes to the improvement of the company's reputation, and sometimes customer loyalty. In the market also it can be helpful, for it facilitates product differentiation and achievement of competitive advantage. In some cases, it can trigger the sales to increase.

The examples of augmented product can be a surprise gift, samples, coupon for the next purchase, or adding an extra cosmetic inside not offered by other brands.

5. Potential Product :

This is about the new development of the same product. In this, anything is possible. The next version of it may contain some improvement. Other times, downgrade can pop up. But since potential is included in it we are to expect such elements in the future. This level, thus, is connected to the keyword, change.

NEW PRODUCT DEVELOPMENT PROCESS

New product development is a task taken by the company to introduce newer products in the market. Regularly there will arise a need in the business for new product development.

Your existing products may be technologically outdated, you have different segments to target or you want to cannibalize an existing product. In such cases, New product development is the answer for the company.

There are different stages of new product development and they are as follows.

i) Idea Generation is the continuous and systematic quest for new product opportunities, including updating or changing an existing product.

A company has to generate many ideas in order to find one that is worth pursuing. The Major sources of new product ideas include internal sources, customers, competitors, distributors and suppliers. Almost 55% of all new product ideas come from internal sources according to one study. Companies like 3M and Toyota have put in special incentive programs or their employees to come up with workable ideas.

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

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

Finally, the management can obtain an overall rating of the company's ability to launch the product successfully.

iii) Concept Development and Testing – The third step in New product development is Concept Development and Testing**.** An attractive idea has to be developed into a Product concept. As opposed to a product idea that is an idea for a product that the company can see itself marketing to customers, a product concept is a detailed version of the idea stated in meaningful consumer terms. This is different again from a product image, which is the consumers' perception of an actual or potential product. Once the concepts are developed, these need to be tested with consumers either symbolically or physically.

For some concept tests, a word or a picture may be sufficient, however, a physical presentation will increase the reliability of the concept test. After being exposed to the concept, consumers are asked to respond to it by answering a set of questions designed to help the company decide which concept has the strongest appeal. The company can then project these findings to the full market to estimate sales volume.

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

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

vi) Test Marketing – The goal of this stage is to validate the entire concept -- from marketing angle and message to packaging to advertising to distribution. By testing the entire package before launch, the company can vet the reception of the product before a full go-to-market investment is made.

vii) Commercialization/Market entry – The final step in new product development is Commercialization. Introducing the product to the market-it will face high costs for manufacturing and advertising and promotion. The company will have to decide on the timing of the launch (seasonality) and the location (whether regional, national or international). This depends a lot on the ability of the company to bear risk and the reach of its distribution network.Today, in order to increase speed to market, many companies are dropping this sequential approach to development and are adopting the faster, more flexible, simultaneous development approach. Under this approach, many company departments work closely together, overlapping the steps in the product development process to save time and increase effectiveness.

MARKETING MIX

It refers to the combination of four basic elements, viz., product, price, promotion and the place, known as the four P’s of marketing.

Product Mix: It is used to describe the assortment of different product types (product lines) and their varieties (product depth). In addition, different tangible and intangible features of the product also form the product mix.

Price Mix: Price mix refers to the decisions relating to the price charged for the product, service or idea.

Promotion Mix: Refers to the activities relating to promotion of the product, service or idea.

Place Mix: Place or physical distribution mix refers to the activities that are involved in transferring ownership to consumers at the right time and price.

PRODUCT	**Price**
• Quality • Design • Features • Brand • Service • Warranties	• Discounts • Financial Services • Allowances • Credit • Payment period
PROMOTION	**PLACE**
• Advertising • Personal selling • Publicity • Sales promotion	• Distribution channels • Locations • Transportation • Stocks • Warehousing

The product factor aims at satisfying the customer needs. Decisions relating to products include several issues such as variety, quality, design features, brand name, packaging, sizes and others.

The price factor aims at providing the products or services at the right price to the customer. The promotion factor aims at reaching the right customer by enhancing the awareness about the products and services of the company. The place ensures delivering the product or service to the customer in the most convenient manner. The type of channels, extent of coverage, locations, and the necessary transportation facilities are some of the key issues that need personal attention of the marketer while considering the place factor.

PRODUCT LIFE CYCLE

Stages include

- Introduction
- Growth (Early & Rapid Growth)
- Maturity
- Saturation
- Decline.

INTRODUCTION:

At this stage the sales are likely to be very slow. Most of the buyers do not come forward as the product is new and untested. There would be a lot of resistance from buyers to pick a product that is relatively new to the market.

EARLY GROWTH:

fig

When the results of usage of product flowing into the market and the results are encouraging, more and more buyers come forward to try. The sales revenue remains very low till this point of time. In view of this, it is quite common that many products end up in loss at the introductory stage. Unless the firm identify adequately in advance the sources of cash to bank upon, it will be a tough time for the manufacturer to pass through this stage. The mortality rate of the products at this stage of product life cycle is very large.

RAPID GROWTH:

A new product enters the stage of rapid growth when it satisfies the needs of the customers. The sales start picking up with repeat purchases and also by word of mouth publicity, coupled with continued promotion outlay from the manufacturer's side. As new customers get attracted to the product for the first time, sales soar, sales revenues increase faster than costs and profits start accruing. With the increase in number of customers, the market starts moving towards maturity.

MATURITY:

When the product's sales growth slows down, it is called maturity. Due to this slow down, the industry as a whole suffers from overcapacity. At this stage, firms tend to attract the customers away from their competitors through cheaper prices and larger promotional efforts and outlay.

SATURATION:

When the sales growth slows down to zero, such a stage is called saturation. The size of the market does not increase beyond this stage. In other words, any new customer entering the market is replaced by an old customer who has stopped buying the product. All the sales are simply replacement sales or repeat purchases by the customers.

DECLINE:

When sales of a product tend to fall, such a stage is called decline. When a product ceases to satisfy the customer's needs in relation to those available in the market, it is no more preferred. As a result its competing products offering superior benefits take over the market. This leads to weakened profitability.

CHANNELS OF DISTRIBUTION: Channels of distribution refer to the ways and means of reaching the customer through the intermediaries such as wholesalers, retailers and other agencies, if any.

Types of channels of distribution:

a) Manufacturer ⇨ consumer

b) Manufacturer ⇨ Wholesaler ⇨ Consumer

c) Manufacturer ⇨ Retailer ⇨ Consumer

d) Manufacturer ⇨ Wholesaler ⇨ Retailer ⇨ Consumer

a) Manufacturer ⇨ Consumer:

This is a direct marketing channel where the manufacturer contacts the customer directly without involving middlemen or intermediaries. This route is mostly followed by the manufacturers of industrial goods such as aero planes, turbo-engines, ships and other high value capital goods.

b) Manufacturer ⇨ Wholesaler ⇨ Consumer:

The channel is primarily used in the case of industrial goods and high-value consumer durable products. The wholesaler, who may also be called as distributer in this channel, carries out the functions of retailing to large customers who may in themselves be the manufacturers also. An example of the use of this method can be observed in the computer hardware industry. Large wholesalers in Singapore by various types of computer hardware in large quantities, directly from the manufacturers or producers. They result the same to those who make or assemble computers.

c) Manufacturer ⇨ Retailer ⇨ Consumer:

Here the large retailing chains, including supermarkets, use this channel to buy products in large quantities from manufacturers at a very competitive price and sell the same to ultimate consumers. As the retailers enjoy large discounts in this process, they share this benefit with their customers by keeping their products competitively priced. The consumers patronage this channel because they can buy in small quantities from a wide variety at lower prices.

d) Manufacturer ⇨ Wholesaler ⇨ Retailer ⇨ Consumer:

This is a chain widely followed for fast moving consumer goods, which are likely to have mass markets. When the consumers in large in number, widely dispersed geographically, and products are of low value, this channel is favoured. For manufacturers of consumer goods such as hosiery, food items, confectionery, clothes, and readymade garments, cosmetics, and so on, intermediaries are indispensable in the distribution chain.

CONSUMER PROTECTION ACT 1986

The Consumer Protection Act was passed in 1986 and it came into force from 1 July 1987. The main objectives of the Act are to provide better and all-round protection to consumers and effective safeguards against different types of exploitation such as defective goods, deficient services and unfair trade practices. It also makes provisions for a simple, speedy and inexpensive machinery for redressal of consumers' grievances.

Salient Features of Consumer Protection Act 1986

The salient features of Consumer Protection Act (CPA) 1986 are as follows:

(a) It applies to all goods, services and unfair trade practices unless specifically exempted by the Central Government.

(b) It covers all sectors whether private, public or co-operative.

(c) It provides for establishment of consumer protection councils at the central, state and district levels to promote and protect the rights of consumers and a three tier quasijudicial machinery to deal with consumer grievances and disputes.

(d) It provides a statutory recognition to the six rights of consumers.

GOODS AND SERVICES COVERED UNDER CPA 1986

The term 'goods' under this Act has the same meaning as under the sale of goods Act. Accordingly it covers all types of movable property other than money and includes stocks and shares, growing crops, etc. The term 'service' means service of any description made available to potential users and includes banking, financing, housing construction, insurance, entertainment, transport, supply of electrical and other energy, boarding and lodging, amusement, etc. The services of doctors, engineers, architects, lawyers etc. are included under the provisions of Consumer Protection Act.

FILING OF COMPLAINTS

For redressal of consumer grievances a complaint must be filed with the appropriate forum. In this section let us know, who can file a complaint, what complaints can be filed, where to file the complaint, how to file the complaints etc.

Who can file a complaint?

The following persons can file a complaint under Consumer Protection Act 1986:

(a) A consumer;

(b) Any recognized voluntary consumer association whether the consumer is a member of that association or not;

(c) The Central or any State Government; and

(d) One or more consumers where these are numerous consumers having same interest.

(e) Legal heir or representative in case of death of a consumer.

What complaints can be filed?

A consumer can file a complaint relating to any one or more of the following:

(a) An unfair trade practice or a restrictive trade practice adopted by any trader or service provider;

(b) Goods bought by him or agreed to be bought by him suffer from one or more defect;

(c) Services hired or availed of, or agreed to be hired or availed of, suffer from deficiency in any respect;

(d) Price charged in excess of the price (i) fixed by or under the law for the time being in force, (ii) displayed on the goods or the package, (iii) displayed in the price list, or (iv)Agreed between the parties; and

(e) Goods or services which are hazardous or likely to be hazardous to life and safety when used.

Where to file a complaint?

If the value of goods and services and the compensation claimed does not exceed Rs. 20 lakh, the complaint can be filed in the District Forum; if it exceeds Rs. 20 lakh but does not exceed Rs. One crore, the complaint can be filed before the State Commission; and if it exceeds Rs. One crore, the complaint can be filed before the National Commission.

How to file a complaint?

A complaint can be made in person or by any authorized agent or by post. The complaint can be written on a plain paper duly supported by documentary evidence in support of the allegation contained in the complaint. The complaint should clearly specify the relief sought. It should also contain the nature, description and address of the complainant as well as the opposite party, and so also the facts relating to the complaint and when and where it arose.

What are the reliefs available to consumers?

Depending on the nature of complaint the and relief sought by the consumer, and the facts of the case, the Redressal Forum/Commission may order one or more of the following reliefs:

(a) Removal of defects from the goods or deficiencies in services in question.

(b) Replacement of the defective goods.

(c) Refund of the price paid.

(d) Award of compensation for loss or injury suffered.

(e) Discontinuance of unfair trade practices or restrictive trade practice or not to repeat them.

(f) Withdrawal of hazardous or dangerous goods from being offered for sale.

(g) Provision of adequate costs to aggrieved parties.

Time limit for filing the case

The consumer can file the complaint within two years from the date on which the cause of action had arisen. However, it may be admitted even after the lapse of two years if sufficient cause is shown for the delay.

Time limit for deciding the case

Every complaint must be disposed off as speedily as possible within a period of three months from the date of notice received by the opposite party. Where the complaint requires laboratory testing of goods this period is extended to five months.