BBA 2306
Principles of Marketing
Study Module

স্কুল অব বিজনেস

SCHOOL OF BUSINESS

বাংলাদেশ উন্মুক্ত বিশ্ববিদ্যালয়

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Principles of Marketing

Course Development Team

Compiler
Nayeema Sultana
Lecturer (Marketing)
School of Business
Bangladesh Open University

Writers of MBA 1302
Principles of Marketing
Professor Abu Sayeed Talukder
Department of Marketing
University of Dhaka
and
Professor Dr. Md. Zakir Hossain Bhuiyan
Department of Marketing
University of Dhaka

Editor and Style Editor
Dr. Mollika Ghosh
Assistant Professor (Marketing)
School of Business
Bangladesh Open University

Coordinator
Dean
School of Business
Bangladesh Open University

This book has been published after being refereed for the students of School of Business, Bangladesh Open University

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MARKETING IN A CHANGING ENVIRONMENT

1

Unit Highlights

- Lesson – 1: Overview of Marketing
- Lesson – 2: Customer Relationship & Marketing Landscape

Technologies Used for Content Delivery

- BOUTUBE
- BOU LMS
- WebTV
- Web Radio
- Mobile Technology with MicroSD Card
- LP+ Office 365
- BTV Program
- Bangladesh Betar Program

Lesson-1: Overview of Marketing

After completion of this lesson, you will be able to –

- *Define Marketing*
- *Understand 5 core customer & marketplace concepts*
- *Learn how to design a customer-driven marketing strategy*
- *Describe marketing management orientation*

MARKETING

Marketing is a multifaceted discipline that involves understanding, creating, communicating, and delivering value to consumers or clients. At its core, marketing aims to satisfy customer needs and wants while achieving the organization's profit-driven, social, or otherwise goals. It encompasses various activities, including market research, product development, pricing, distribution, and advertising, promotion, and customer relationship management.

The father of marketing is *Philip Kotler*. Based on his given theory, marketing manages profitable relationships, by attracting new customers by superior value and keeping current customers by delivering satisfaction.

Source: Marketingweek(2024)

The American Marketing Association defines marketing as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that value customers, clients, partners, and society at large". If you read the definition closely, you see that there are four activities, or components, of marketing:

1. **Creating.** The process of collaborating with suppliers and customers to create value offerings.
2. **Communicating**. Broadly, describing those offerings, as well as learning from customers.
3. **Delivering**. Getting those offerings to the consumer in a way that optimizes value.
4. **Exchanging.** Trading value for those offerings.

The traditional way of viewing the components of marketing is via the four Ps:

1. **Product**. Goods and services (creating offerings).
2. **Promotion**. Communication.
3. **Place**. Getting the product to a point at which the customer can purchase it (delivering).
4. **Price.** The monetary amount charged for the product (exchanging).

Introduced in the early 1950s, the four Ps were called the marketing mix, meaning that a marketing plan is a mix of these four components.

The marketing process consists of a total of 5 steps.

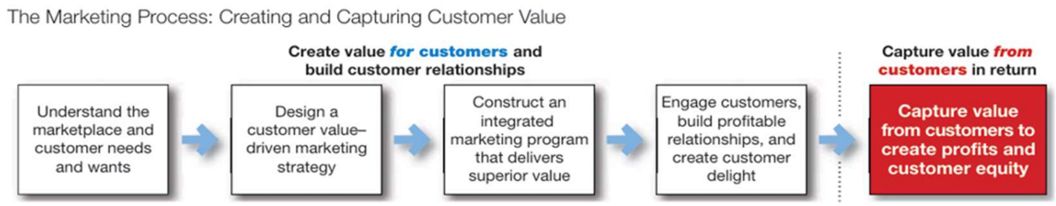

Figure: The marketing process

Source: Kotler & Armstrong (2018)

UNDERSTANDING THE MARKETPLACE AND CUSTOMER NEEDS

There are a total of 5 core customer & marketplace concepts.

(i) Customer needs, wants & demands

Need: In marketing, a need refers to a consumer's requirement for a product or service that can satisfy a specific desire or solve a problem. It's the underlying motivation that drives consumers to seek out solutions. For example, someone might need a new laptop to complete work tasks efficiently.

Want: A want represents the specific desire or preference for a particular product or service that can fulfill a need. Wants are shaped by individual tastes, preferences, and aspirations. For instance, while someone needs a laptop for work, they may want a specific brand or model because of its features or design.

Demand: Demand refers to the quantity of a product or service that consumers are willing and able to purchase at a given price and time. It combines both the desire (want) and the purchasing power (ability) of consumers. Demand can fluctuate based on factors such as price changes, promotional activities, consumer perceptions, and market trends.

(ii) Market offerings

Market offerings refer to the products, services, or solutions that a company offers to fulfill the needs and wants of its target customers. These offerings encompass tangible goods, intangible services, and combinations thereof, designed to provide value to consumers. Market offerings can include physical products like smartphones, software subscriptions, consulting services, or even experiences like travel packages. They are tailored to meet specific customer needs and are positioned in the market to differentiate them from competitors' offerings.

(iii) Customer value & satisfaction

When we use the term **value**, we mean the benefits buyers receive that meet their needs. In other words, value is what the customer gets by purchasing and consuming a company's offering. So, although the offering is created by the company, the value is determined by the customer.

And satisfaction is all about a customer’s judgment between their expectation of the product they have purchased and that product’s actual performance. While making this judgment, 3 outcomes might be found.

If, expectation > product’s actual performance →dissatisfied

Expectation = product’s actual performance → satisfied

Expectation < product’s actual performance → delighted

(iv) Exchanges & relationships

Exchanges: In marketing, an exchange occurs when two or more parties trade something of value with each other. This could involve the exchange of goods, services, money, or even ideas. Each party involved in the exchange seeks to obtain something they desire or need in return for what they are offering. For example, when a customer purchases a product from a company in exchange for money, an exchange takes place.

Relationships: In marketing, relationships refer to the connections and interactions between a company and its customers, suppliers, partners, or other stakeholders. Building strong relationships is crucial for long-term business success.

(v) Markets

In marketing, the term "market" refers to the group of both actual & potential buyers who share a common need that a company aims to satisfy with its products or services.

DESIGNING A CUSTOMER-DRIVEN MARKETING STRATEGY

Marketing Strategy is a process of making the products and/or services available to the customers. In recent times, as there is severe competition in the market and a larger customer market, businesses must develop a proper Customer-Driven Marketing Strategy which is an important aspect of selling products, generating revenue, building long-term relationships with customers, etc. A generalized Customer-Driven Marketing Strategy includes the steps of Market Segmentation, Targeting, Positioning, and Differentiation.

Figure: Steps of designing a customer-driven marketing strategy

Source: Geeksforgeeks (2024)

Step 1 – Market Segmentation

Under market segmentation, the whole customer market is divided into various segments based on gender, age, geographic location, preferences, etc. Each company when starts with designing the marketing strategy, undertakes this step very first. Every company must divide the total market into various segments, and then move further to build a profitable marketing strategy. Market segmentation requires thorough market research about the customers' needs, wants, tastes, preferences, etc. Once the company is done with the market segmentation process, it can focus on choosing the best segment for its products and/or services. A market segment is a portion of the whole market that is expected to respond similarly to a given situation.

For example, Volkswagen. Volkswagen Group is responsible for producing brands like Audi, Porsche, Lamborghini, and Ducati.

Step 2- Market Targeting

In marketing, targeting refers to the process of identifying and selecting specific segments of the market that a company wants to focus its marketing efforts on. This involves analyzing various factors such as demographics, psychographics, geographic location, behavior, and purchasing patterns to determine which groups of consumers are most likely to be interested in and benefit from the company's products or services.

For example, Nike’s target market includes those people who are interested in getting fitter.

Step 3- Positioning

The activity of positioning involves placing the product/service in the minds of the target customers and making the image of the product/service superior as compared to other similar products.

For example, Starbucks. Starbucks wanted to make itself ‘The Third Home’ between home and work so that people can come and relax whenever they are tired. They decided to target customers with medium and high-level income. Starbucks uses the following taglines to strengthen its positioning in the market:

- 100% recycled paper use
- The finest milk use
- The best coffee
- Rich & Smooth flavors
- Natural & clean

Step 4 – Differentiation

Differentiation is the process of differentiating the market to have superior customer value. The idea that the customers have of the product is the most important thing. A better image of the product in the minds of the customers helps in better sales and revenue. Differentiation offers the business a competitive advantage. Differentiation can be direct (i.e., improves quality) and indirect (improved positioning strategy). Differentiation is the most important activity, generally for those products/services that have a lot of competitors, like in the automobile industry or food industry, etc. Companies must differentiate their products from rival firms to gain a competitive edge. Differentiation of product is not always based on the quality, but sometimes on the money value.

For example, Tesco sells groceries at very affordable and reasonable rates, to acquire customers’ confidence which makes their brand differentiated from other rival brands.

MARKETING MANAGEMENT ORIENTATION

An organization's focus is centered on five key categories, classified into the following orientation groups: Production orientation, product orientation, sales orientation, societal orientation, and market orientation.

(i) Production concept:

The production concept in marketing revolves around the idea that consumers will favor products that are widely available and affordable. It emphasizes efficiency in production and distribution, focusing on mass-producing standardized products at low costs.

An example of the production concept can be seen in the early automotive industry. In the early 20th century, Henry Ford famously implemented the production concept with the introduction of the Model T Ford. Ford's assembly line revolutionized the automobile manufacturing process, allowing for mass production of standardized vehicles at lower costs. By streamlining production and increasing efficiency, Ford was able to produce cars in large quantities, making them more accessible and affordable to the average consumer.

(ii) Product concept:

The product concept in marketing centers on the idea that consumers will favor products that offer the most in terms of quality, performance, and innovative features. It emphasizes continuous product improvement and innovation to meet or exceed customer expectations. The underlying assumption is that consumers are primarily interested in products that offer superior quality, functionality, or unique features, regardless of price.
An example of the product concept can be observed in the smartphone industry. For instance, when Apple releases a new iPhone model, it often introduces innovative features such as facial recognition technology, improved camera capabilities, or faster processors. These advancements are designed to appeal to consumers who prioritize having the latest technology and value products that offer cutting-edge features and superior performance.

(iii) Selling concept

The selling concept in marketing revolves around the idea that consumers will not buy enough of a company's products or services unless the company undertakes a large-scale selling and promotional effort. This approach is often adopted when companies have excess inventory or when they need to push products onto customers who may not initially have a strong desire or need for them. The selling concept places a strong emphasis on sales transactions rather than understanding and fulfilling customer needs.

For ***example***, Insurance companies often employ sales representatives who are tasked with selling insurance policies to individuals or businesses. During sales presentations or meetings with potential clients, insurance sales representatives highlight the features of their company's insurance products, such as coverage options, policy terms, premiums, and benefits. They may use real-life examples or case studies to illustrate how insurance can help individuals or businesses recover from unexpected events such as accidents, illnesses, or property damage.

(iv) Marketing concept

The marketing concept is a philosophy that focuses on identifying and satisfying the needs and wants of customers to achieve organizational goals. It emphasizes understanding customer needs and preferences, delivering superior value through the marketing mix (product, price, place, and promotion), and building long-term customer relationships. In essence, the marketing concept puts the customer at the center of all business activities.

For ***example***, Amazon continuously innovates and expands its product offerings to meet customer demands and preferences. They develop new products and services such as Amazon Prime, Amazon Echo, and Amazon Web Services (AWS) based on customer feedback and market trends. Amazon Prime was introduced to offer customers fast and convenient shipping options.

(v) The Societal Marketing concept

The societal marketing concept is a marketing philosophy that goes beyond satisfying customer needs and wants to also consider the well-being of society as a whole. It emphasizes creating value for customers while also addressing broader societal issues and concerns, such as environmental sustainability, social responsibility, and ethical business practices. The goal of societal marketing is to balance the interests of customers, the company, and society at large.

For ***instance***, Patagonia, an outdoor apparel company, exemplifies the societal marketing concept through its commitment to environmental sustainability and social responsibility. Patagonia's "Worn Wear" program encourages customers to repair and reuse their clothing rather than buying new, extending the lifespan of their products and reducing their environmental footprint.

Activity:

Make a list of 4 companies (National & international) that engage in marketing activities & share their 4ps of Marketing.

Lesson-2: Customer Relationship & Marketing Landscape

After completion of this lesson, you will be able to –

- *Define customer perceived value & satisfaction*
- *Identify the importance of building customer relationships*
- *Recognize customer relationship levels & tools*
- *Describe how to capture value from customers*
- *Understand the changing marketing landscape*

BUILDING CUSTOMER RELATIONSHIPS

Customer Perceived Value: Customer perceived value refers to the perceived benefits that a customer believes they receive from a product or service about its costs. It's the customer's subjective assessment of the overall worth or utility of a product or service based on their individual needs, preferences, and experiences. Perceived value encompasses the tangible features and benefits of the product or service and factors such as brand reputation, customer service, convenience, and emotional appeal. Customers are more likely to perceive value when they believe that the benefits they receive outweigh the costs involved in acquiring or using the product or service.

Customer Satisfaction: Customer satisfaction is the degree to which a customer's expectations are met or exceeded by the actual performance of a product or service. It's a subjective evaluation of the overall experience that a customer has with a company or its offerings. Customer satisfaction is influenced by various factors, including product quality, reliability, responsiveness, customer service, and the overall value proposition. When customers feel satisfied with their purchase experience and believe that their needs and expectations have been fulfilled, they are more likely to have positive attitudes toward the company and its products, leading to repeat purchases, loyalty, and positive word-of-mouth recommendations

CUSTOMER RELATIONSHIP LEVELS & TOOLS

Basic Relationships are often used by a company with many low-margin customers. For example, Procter & Gamble does not phone or call all of its Tide consumers to get to know them personally. Instead, P&G creates relationships through brand-building advertising, sales promotions, and its Web site.

Full Partnerships are used in markets with few customers and high margins, sellers want to create full partnerships with key customers. For example, P&G customer teams work closely with Wal-Mart, Safeway, and other large retailers. Some companies sponsor club marketing programs that offer members special benefits and create member communities. (For example, Harley-Davidson sponsors the Harley Owners Group [H.O.G.].)

CAPTURING VALUE FROM CUSTOMERS

Here, each marketer wants to get loyalty from the customers and take action programs for that.

Creating customer loyalty & retention

--- Customer Loyalty:

Customer loyalty refers to the tendency of customers to consistently choose a particular brand or company over others, often due to positive experiences, satisfaction, and emotional connection with the brand. Here's an example:

Example: Starbucks Rewards Program

Starbucks, the renowned coffee chain, has built a loyal customer base through its Starbucks Rewards program. This loyalty program offers various benefits and rewards to customers who frequent Starbucks locations and make purchases using the Starbucks mobile app or loyalty card. Customers earn points (stars) for each purchase, which can be redeemed for free drinks, food items, or other rewards. Additionally, Starbucks offers personalized promotions, birthday rewards, and exclusive member perks to enhance the customer experience and incentivize repeat visits. The Starbucks Rewards program fosters loyalty by rewarding customers for their patronage and encouraging continued engagement with the brand. As a result, many Starbucks customers actively participate in the rewards program, leading to increased customer retention, higher spending per visit, and strengthened brand loyalty.

--- Customer Retention:

Customer retention focuses on maintaining relationships with existing customers and reducing customer churn or attrition. It involves strategies and efforts aimed at encouraging customers to remain loyal to the brand and continue doing business with the company. Here's an example:
Example: Amazon Prime Membership

Amazon, the global e-commerce giant, offers Amazon Prime, a subscription-based membership program that provides various benefits and perks to its members. Amazon Prime members enjoy free two-day shipping on eligible items, access to streaming services like Prime Video and Prime Music, exclusive deals and discounts, and other benefits. Amazon Prime effectively enhances customer retention by providing value-added services and benefits that incentivize customers to remain loyal to the platform. The convenience of fast and free shipping, coupled with access to a wide range of digital content, encourages customers to continue using Amazon for their online shopping needs. By offering a compelling membership program with valuable benefits, Amazon reinforces customer loyalty and encourages members to renew their subscriptions year after year. This results in higher customer retention rates, increased customer lifetime value, and sustained revenue growth for the company.

Growing share of customer

This indicates increasing the portion of a customer's total spending that is allocated to a particular company or brand. Rather than solely focusing on acquiring new customers, the emphasis is on maximizing the value derived from existing customers by encouraging them to purchase more frequently, buy additional products or services, or upgrade to higher-value offerings.

Building customer equity

Companies should manage customer equity carefully. They should view customers as assets that need to be managed and maximized. But not all customers, not even all loyal customers, are good investments. Some loyal customers can be unprofitable, and some disloyal customers can be profitable. Which customers should the company acquire and retain? The company can classify customers according to their potential profitability and manage its relationships with them.

Companies should focus more on their profitable customers. Therefore, companies classify their customers according to their potential profitability and customer loyalty. This classification is called the ***customer relationship group***.

i. **Strangers**: Strangers are clients who are unlikely to return and they bring in little profit. There is a very limited fit between your offers and their requirements. They could be high-net-worth individuals or tourists who visit you for a brief time and then leave without purchasing any of your products or services. For these consumers, the relationship management strategy is straightforward: don't invest too much in them.

ii. **Barnacles**: Barnacles are long-term consumers; however, you are not going to profit too much from them. They act like barnacles on a ship, causing drag and impeding your expansion. As a result, you should reevaluate this consumer segment regularly. This will make room for new clients to enter.

iii. **Butterflies**: Butterflies are loyal clients with high predicted profitability, but their loyalty is not strong enough and lasts only for a short time. With them, you have to focus on distinct product/service offerings. However, if you want to build your business quickly, this is the customer group to focus on. Your marketing efforts will center on converting them into true friends.

iv. **True friends:** True friends are your most loyal customers who bring in substantial profits. For them, your business has a great product-market fit. Ideally, you should devote your full focus to this customer group. Pay attention to their demands and provide product/service offerings that will please them.

THE CHANGING MARKETING LANDSCAPE

Understanding the marketing landscape is crucial for businesses to make informed decisions and adapt their marketing efforts to changing conditions.

The Digital Age

The Digital Age has had a profound and transformative impact on the marketing landscape. It has fundamentally changed the way businesses interact with their customers, promote their products or services, and analyze market data. Here are some of the key ways in which the Digital Age has influenced the marketing landscape:

- **Digital Advertising:** The shift from traditional advertising mediums like print and TV to digital platforms has been significant. Digital advertising offers precise targeting options, real-time analytics, and cost-effective methods such as pay-per-click (PPC) and social media advertising.
- **Social Media Marketing:** Social media platforms have become essential marketing channels. They enable businesses to engage directly with their audience, build brand loyalty, and conduct targeted advertising campaigns. Influencer marketing has also gained prominence on platforms like Instagram, YouTube, and TikTok.
- **Content Marketing:** The Digital Age has emphasized the importance of high-quality content. Businesses create blogs, videos, podcasts, and other content types to educate, inform, and engage their audience. Content marketing helps establish authority in a field and attract organic traffic through search engines.
- **E-commerce:** Online shopping has become a dominant force, driven by the convenience of buying products and services from home. Businesses need to have a strong online presence, user-friendly websites, and secure payment gateways to thrive in this digital commerce environment.
- **Data Analytics:** The Digital Age has provided access to vast amounts of data. Marketers can use data analytics tools to gather insights about customer behavior, preferences, and demographics. This data-driven approach enables more targeted and personalized marketing campaigns.

2. Rapid Globalization

Globalization has expanded the reach of businesses beyond their local markets. Companies are increasingly targeting international customers and facing competition from around the world. This has necessitated a more global approach to marketing. Marketing strategies now need to consider cultural differences, language barriers, and diverse consumer preferences in various regions. Additionally, companies are leveraging e-commerce platforms to sell products and services globally, making it essential to adapt marketing strategies to suit different markets and audiences.

3. Call for more Ethics and Social Responsibility

In today's marketing landscape, consumers are more conscious of ethical and social issues. They expect businesses to demonstrate a commitment to social responsibility, sustainability, and ethical practices. Companies that engage in unethical behavior or fail to address social and environmental concerns can face significant backlash. Therefore, marketing strategies increasingly incorporate ethical considerations and sustainability efforts as part of their brand image. This includes initiatives such as cause marketing, eco-friendly product offerings, and transparent communication about Corporate Social Responsibility (CSR) efforts.

4. Growth of Not-for-Profit Marketing

Not-for-profit organizations, including NGOs and charities, are also active participants in the marketing landscape. They use marketing techniques to raise awareness, solicit donations, and advocate for social causes. The growth of not-for-profit marketing has led to increased competition for donor support and the need for innovative approaches to connect with potential supporters.

The marketing landscape is continuously evolving, driven by technological advancements, globalization, changing consumer expectations, and a growing emphasis on ethics and social responsibility. To thrive in this dynamic environment, businesses and organizations must remain adaptable and stay ahead of emerging trends. They need to embrace digital marketing strategies, recognize the importance of globalization, integrate ethics and social responsibility into their branding, and be prepared to compete effectively, whether for-profit or not-for-profit.

Activity:

Design two unique strategies, one for creating customer loyalty and the other for ensuring customer retention.

Discussion Questions:

1. Define Marketing. What are the four components of marketing?
2. Describe five core customer & marketplace concepts.
3. Differentiate between the terms—need, want & demand.
4. How to design a customer-driven marketing strategy? Elaborate on all the steps with examples.
5. Discuss five categories/concepts of marketing management.
6. Explain customer relationship levels & tools using examples.
7. How a marketing manager can create customer loyalty & retention?
8. Classify customers based on customer potential profitability & loyalty. Discuss their characteristics.

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COMPANY AND MARKETING STRATEGY: PARTNERING TO BUILD CUSTOMER RELATIONSHIPS

2

Unit Highlights

- Lesson – 1: Strategic & Marketing Planning
- Lesson – 2: Managing the Marketing Effort

Technologies Used for Content Delivery

- BOUTUBE
- BOU LMS
- WebTV
- Web Radio
- Mobile Technology with MicroSD Card
- LP+ Office 365
- BTV Program
- Bangladesh Betar Program

Lesson-1: Strategic & Marketing Planning

After completion of this lesson, you will be able to –

- *Define strategic planning*
- *Understand the steps in strategic planning*
- *Discuss BCG growth matrix along with product-market expansion grid*

STRATEGIC PLANNING

The process of creating and preserving a strategic alignment between an organization's goals, and abilities, and changing marketing possibilities is known as strategic planning.

STEPS IN STRATEGIC PLANNING

Figure: Steps in strategic planning

Source: Kotler & Armstrong (2018)

Step-1: Marketing is an integral part of any organization's business activities. The focus should be on meeting the needs of the customer and seeking to communicate product features and benefits most efficiently and cost-effectively. Many organizations begin by **developing a mission statement** that generally states how the company will form relationships with their customers, how they inspire their employees, and how they relate to other stakeholders with whom they interact. Some companies' mission statements, however, focus on the products manufactured by that organization, such as Apple.

Step-2: After that, clear and measurable **objectives** should be developed that align with the broader goals of the organization. Objectives should be specific, achievable, relevant, and time-bound (SMART).

Step-3: Here, a marketing manager needs to **design the business portfolio**. A business portfolio is defined as a collection of products, services, and other company divisions. This portfolio can also be referred to as the company's set of accessible resources that it uses to achieve its goals. It consists of investments, holdings, products, businesses, and trademarks. An in-depth examination of the kind of company, its growth possibilities, profitability determinants, revenue streams, and market positioning may be achieved through its study.

Portfolio analysis has two sub steps-- i) Analyzing current business portfolio—it involves analyzing the company's products used as market offerings (known as strategic business units-SBU). A company classifies all of its SBUs by the growth-share matrix using the famous Boston Consulting Group (BCG) approach.

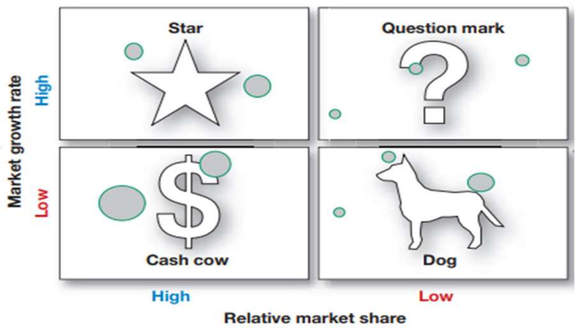

Figure: BCG Matrix
Source: Kotler & Armstrong (2018)

- **Stars:** The 'Stars' are a product group with a high market share and a fast-growing market.

These products are **profitable** and it is worthwhile to continue **investing** in this product group so that they at least maintain their market share and perhaps even continue to grow.

- **Cash cow:** The 'Cash Cows' are a product group with a high market share and a market with hardly any growth.

These products are already **profitable** with **little growth potential** in the market. The desired strategy here is to invest as little as possible and still maintain the market position.
The revenue generated from a Cash Cow can be invested in Stars or Question Marks.

- **Question mark:** The "Question Marks" are a product group in which there is a low market share, but where the market is showing high growth.

These products are **not necessarily very profitable** at this time but have the **potential to gain market** share with the **right investments**.

- **Dog:** The Dogs are a product group with a low market share and a market that will hardly grow.

These products are **loss-making** and have **no potential** to become profitable.

Example of a BCG Growth Matrix

There are many companies that we can apply the growth matrix to in the real world. Apple is a great candidate. Let's take a look at the products Apple has on the market according to the matrix categories:

- **Star:** iPhone
- **Cash Cow:** MacBook
- **Question Mark:** Apple TV
- **Dog:** iPad

In 2022, the company earned $394.33 billion in net sales, out of which almost $316.2 billion was attributed to its products section. The remaining $78.13 billion came from its services division: 3

- There's no doubt that the majority of Apple's sales come from its most popular product. The iPhone brought in $205.49 billion in sales for the year.3 In this case, it's considered the company's star.

- The cash cow for the company is its Mac products—notably the MacBook laptop, which is one of the most popular in this group. Sales for Mac products came in at $40.18 billion for the fiscal year (FY).
- One of the question marks for Apple is its Apple TV streaming service, which falls under the Services category. The competition in the streaming world is intense, with traditional services like Netflix, Hulu, and Disney+ dominating the market. But others like YouTube and Vimeo are also eating away at market share. In 2022, Apple's Services division earned $78.13 billion in sales.3
- Once a darling of the company, the iPad is now considered a dog. Apple's tablet continues to show low growth, as sales continue to decline. Sales for the year came in at $29.29 billion, compared to $31.86 billion in 2021

Another sub-step of portfolio analysis is -- ii. Developing strategies for growth & downsizing

Marketing has the main responsibility for achieving profitable growth for the company. Marketing needs to identify, evaluate, and select market opportunities and lay down strategies for capturing them. One useful framework for identifying growth opportunities is the ***product/market expansion grid.***

Figure: The product-market expansion grid
Source: Kotler & Armstrong (2018)

1. Market Penetration

Company growth by ***increasing sales of current products*** to current market segments without changing the product. To penetrate and grow the customer base in the existing market, a company may cut prices, improve its distribution network, invest more in marketing, and increase existing production capacity. Brands such as Coca-Cola and Heineken are known for spending a lot on marketing to penetrate their markets. In addition, they try to maximize the use of distribution channels by making attractive deals with a large variety of distributors such as supermarkets, restaurants, bars, and football stadiums for example.

2. Market development

Company growth by ***identifying and developing new market segments*** for current company products. This is what for example IKEA has done over the past few decades to become one of the biggest furniture retailers in the world. IKEA started off expanding to markets relatively close in terms of culture to its home country (Sweden) before targeting more challenging geographic areas such as China and the Middle East.

3. Product Development

Company growth by ***offering modified or new products*** to current market segments. A classic example of product development is Apple launching a brand-new iPhone every few years.

4. Diversification

Company growth through ***starting up or acquiring businesses*** outside the company's current products and markets. For example, Samsung is operating in businesses varying from computers, phones, and refrigerators to chemicals, insurance, and hotel chains.

For example, Coca-Cola segments its customers geographically, based on their location. For example, Coca-Cola launched its 'Share a Coke' campaign in Australia in 2011. The campaign featured the slogan "Share a Coke with" printed on Coca-Cola bottles in addition to a variety of the most popular names printed on each bottle next to the slogan. The campaign was so successful that the company decided to launch it in multiple countries worldwide, including the United Kingdom, China, Spain, etc. Of course, Coca-Cola had to conduct market research to discover which names were the most popular in each country. The most popular names in Australia might have worked in the UK; however, the campaign would not have proven successful in China or Spain if the Coke bottles had English names printed on them. As a result, this is an example of how Coca-Cola segments its customers geographically.

Step-4: The last step of strategic planning includes **planning marketing and partnering to build customer relationships**

- ***Partnering with other company departments & with others in the marketing system***

Value Chain: A value chain is a series of internal departments that carry out value-creating activities to design, produce, market, deliver, and support a firm's products.	*Value delivery network: The value* delivery network is a part of the supply chain of a company and includes all its direct participants involved in the production, distribution, marketing, customer service, etc. for a given geographical area.

➢ Marketing strategy and the marketing mix

✓ Customer-driven marketing strategy:

Segmentation is essential for firms as it allows them to understand their market better. During segmentation, customers are divided into smaller subsets based on shared characteristics, which provides insight into the different types of customers purchasing the firm's products or services. **Targeting** is also important because it is essential to select which customer segment is most attractive from a marketing perspective. This customer segment, or segments, will be the ones you focus your marketing on. Finally, **positioning** the product is crucial because it determines how customers will view the product or service compared to those of competitors. This step helps businesses define their product offerings and the value they bring to their customers.

For example, Coca-Cola also uses a variety of tools to target its customers. It targets more health-conscious consumers with its Coca-Cola Zero and Coca-Cola Diet products whereas average customers. Bottle sizing also plays a role in the company's targeting. For instance, its regular-sized cans are targeted at individuals who want to grab a drink quickly. On the other hand, the company targets families with its larger, 1.5-2 L bottles. Finally, Coca-Cola positions itself as a refreshing drink that brings joy to customers. It is positioned as a thirst-quenching drink that customers can buy on the go and a high-quality soft drink to share with family and friends.

- **Developing an integrated marketing mix:**

Developing an integrated marketing mix is crucial for any business striving to create a cohesive and effective marketing strategy. The marketing mix, often referred to as the 4Ps—Product, Price, Place, and Promotion—provides a framework for businesses to align their marketing efforts and achieve their objectives.

Figure: Marketing 4P

Source: Kotler & Armstrong (2018)

The first element of the marketing mix is the **product** (Crafting value through innovation). This involves not only the physical item but also the features, benefits, and overall value it brings to the customer. To develop a successful integrated marketing mix, businesses must focus on understanding customer needs and preferences. Innovation plays a crucial role in creating products that stand out in the market. By continually updating and enhancing products, businesses can maintain a competitive edge. Setting the right **price** (Pricing for value perception) for a product is a delicate balance between covering costs and providing value to customers. An integrated marketing mix considers the relationship between the product's perceived value and the price set. Pricing strategies can include discounts, bundling, or premium pricing, depending on the target market and competition. Consistency across all marketing channels ensures that customers perceive the product as valuable and priced. The **place** element (Accessibility & distribution efficiency) of the marketing mix focuses on making the product easily accessible to the target market. This involves strategic decisions regarding distribution channels, inventory management, and geographic reach. In today's digital age, e-commerce platforms play a significant role, but a successful integrated strategy considers both online and offline channels. By optimizing distribution, businesses can ensure that their products are available where and when customers want them. **Promotion** (Building awareness & engagement) involves the various methods used to communicate the product's value and persuade customers to purchase. An integrated marketing mix uses a combination of advertising, public relations, social media, and other promotional activities. Consistent messaging and branding across all channels help build a strong brand identity. By utilizing a mix of traditional and digital marketing channels, businesses can reach a broader audience and create a more impactful marketing campaign.

Translating the 4 P’s into the 4 C’s

If you want to ensure that you're addressing customer needs, you can translate the 4 P's into the 4 C's to place the customer at the center of your business flywheel.

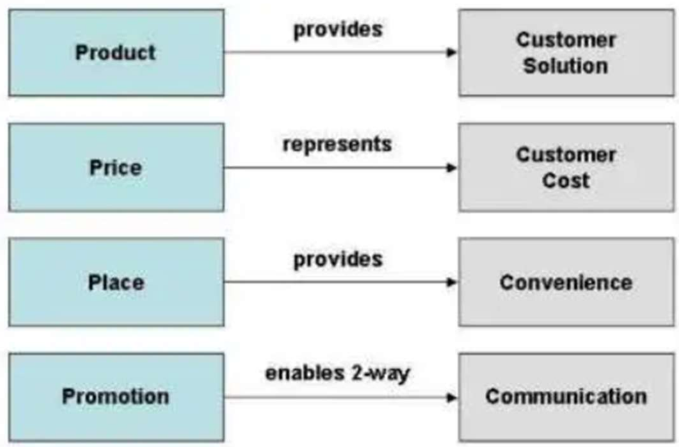

Figure: 4p’s to 4cs
Source: Rammoppo (2019)

Activity:
1. Use BCG matrix to compare any two companies' names from the FMCG industry.
2. Find out & share a renowned brand’s customer-driven marketing strategies.

Lesson-2: Managing the Marketing Effort

After completion of this lesson, you will be able to –

- *Identify the way to do marketing analysis.*
- *Understand how to write a marketing plan.*
- *Recognize how to ensure marketing control & measure marketing return on investment.*

MANAGING THE MARKETING EFFORT

It includes-- *analysis, planning, implementation,* and *control*.

✓ Marketing Analysis

This is where you begin with your company's **SWOT Analysis:**

- **Strengths** - Internal capabilities that may help reach your objectives.
- **Weaknesses** - Internal limitations that may interfere with our ability to reach your objectives.
- **Opportunities** - External factors that you may be able to exploit to your advantage.
- **Threats** - Current and emerging external factors that may challenge your performance.

Analyze your markets and your marketing environment to find attractive opportunities and identify environmental threats. Your goal is to match your strengths to attractive opportunities in the environment while eliminating weaknesses and minimizing threats.

✓ Marketing Planning

When you did your strategic planning, you decided what you wanted to do with each business unit. Marketing planning is choosing the marketing strategies that will help your overall strategic objectives. You need to put together a detailed marketing plan for each business, product, or brand. What does a marketing plan consist of?

1. **Executive Summary** - What are the goals and recommendations of the plan? This will help top management find the plan's major points and review them.
2. **Current Marketing Situation** - What is your target market and what is your position within that target market? Include details about 1) the market, 2) product performance, 3) competition, and 4) distribution.
3. **Threats and Opportunities Analysis** - What are the major threats and opportunities that your product could face? Help management anticipates the positive and negative developments that could have an impact on your company.
4. **Objectives and Issues** - What is the marketing objective that you would like to reach during the plan's term? What are the key issues that will affect reaching them?
5. **Marketing Strategy** - Outline the logic by which each business unit hopes to create customer value and relationships. How will the company create value for customers to capture value from customers in return? Outline the strategies for each marketing mix and explain how they each respond to threats, opportunities, and critical issues.
6. **Action Programs** - What will be done? When will it be done? Who will do it? How much will it cost?

7. **<u>Budgets</u>** - What is the supporting marketing budget - the projected profit and loss statement?
8. **<u>Controls</u>** - What will be used to monitor progress?

✓ Marketing Implementation

It is all about turning your marketing strategies and plans into marketing actions to accomplish strategic marketing objectives. Planning good strategies is only a start toward successful marketing. Marketing implementation TURNS your marketing plans into marketing actions. Doing things right and doing the right things are both critical to success.

✓ Marketing Department Organization

You're now in a position to design a marketing organization that will carry out the marketing strategies and plan. Smaller companies have typically one person who does all the research, selling, advertising, customer service, and other marketing work. Larger companies contain many specialists including product and market managers, sales managers and salespeople, market researchers, advertising experts, etc.
The one person who needs to head up the marketing organization is the *Chief Marketing Officer (CMO)*. This position heads up the entire marketing operation and represents marketing on the company's top management team.

Marketing departments can function in different ways:

- <u>Functional organization</u> - Different marketing activities are headed up by a functional specialist such as a sales manager, advertising manager, etc.
- <u>Geographic organization</u> - If you sell across the country or internationally, you may have salespeople in geographic centers, getting to know their customers.
- <u>Product management organization</u> - If you've got many different products or brands, the product manager would develop and implement a strategic and marketing program for these specific products or brands.
- <u>Market/Customer management organization</u> - If you sell one product line to many different types of markets or customers that have different needs, your market manager would be responsible for developing strategies and plans for these specific markets or customers.

Marketing organization is very important as it's a way to shift brand management to *customer management* which moves away from managing only product or brand profitability and moves towards managing customer profitability and equality.

✓ Marketing Control

Here, this step is to measure and evaluate the results of your marketing strategies and plans to take corrective action to ensure that your objectives are achieved.
Marketing control involves four steps:

1. Set specific marketing goals.
2. Measure performance in the marketplace.
3. Evaluate the causes of any differences between expected and actual performance.
4. Take corrective action to close gaps between goals and performance.

Operating control means checking ongoing performance against the annual plan and taking corrective action when necessary. *Strategic control* means looking at whether your basic strategies are well-matched to opportunities.

MEASURING AND MANAGING RETURN ON MARKETING INVESTMENT

Are your marketing dollars well spent? It's increasingly important for marketers to justify their expenses. For every brand and marketing program, ask yourself:
"Do I have the right combination of strategy and tactics that will generate the most return in terms of share, revenue, and/or profit objectives from my investment?"

To ensure you have the right combination, develop a *Marketing ROI* - the net return from a marketing investment divided by the costs of the marketing investment. The *return* and the *investment* are both measured in terms of dollars, but there is no consistent definition of marketing ROI. You can assess marketing ROI, however, in terms of standard marketing performance measures such as brand awareness, sales, or market share.

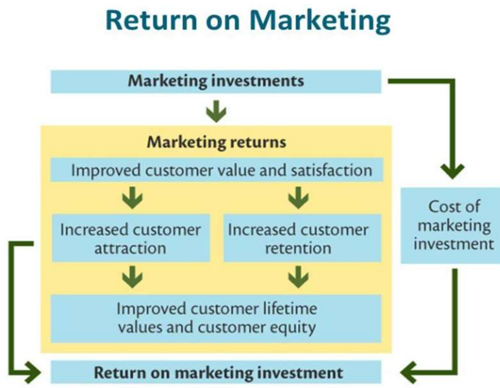

Figure: Return on marketing investment
Source: Kotler & Armstrong (2018)

Activity:
Get into group of 3. Think about a unique business idea and then write a marketing plan for that.

Discussion Questions:

1. What is strategic planning? Discuss the steps of strategic planning.
2. How portfolio analysis of a company can be executed? Explain.
3. Define BCG matrix and the strategies a marketer should take on' each phase using examples.
4. Explain the contents of a marketing plan.
5. Discuss the ways a marketing manager might follow to do marketing analysis & control.

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ANALYZING THE MARKETING ENVIRONMENT

3

Unit Highlights

- Lesson – 1: Understanding Micro & Macro Marketing Environment

Technologies Used for Content Delivery

- BOUTUBE
- BOU LMS
- WebTV
- Web Radio
- Mobile Technology with MicroSD Card
- LP+ Office 365
- BTV Program
- Bangladesh Betar Program

Lesson-1: Understanding Micro & Macro Marketing Environment

After completion of this lesson, you will be able to –

- *Define micro & macro environment*
- *Understand the elements of the micro & macro environment.*

The marketing environment is a mix of factors and forces that impact a company's ability to succeed while ensuring customers get high-quality products and services. It is also a combination of micro and macro environments.

MICROENVIRONMENT

The microenvironment refers to the immediate factors affecting a business, including customers, competitors, suppliers, distributors, and the industry itself. It directly influences a company's operations and success in its market.

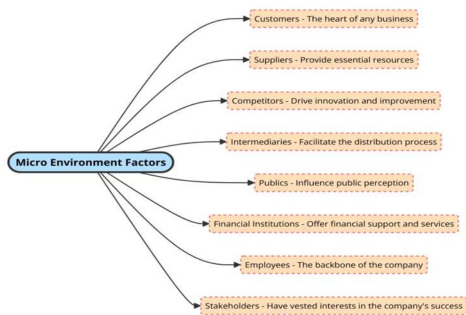

Figure: Micro Environment Elements
Source: Shiksha.com (2024)

ELEMENTS OF MICRO ENVIRONMENT

- **Customers**

Customers are at the heart of the microenvironment. Understanding their needs, preferences, and buying behavior is essential for a company's success. Factors to consider include customer demographics, purchasing power, motivations, and decision-making processes.

- **Suppliers**

Suppliers provide the necessary resources, materials, and components for a company's operations. Establishing strong relationships with reliable suppliers is important to ensure the timely availability of quality inputs. Factors to consider include supplier reliability, pricing, flexibility, and technological capabilities.

- **Competitors**

Competitors are other companies operating in the same industry, offering similar products or services. Analyzing competitor strengths, weaknesses, strategies, and market positions helps a company differentiate itself and gain a competitive advantage. Factors to consider include product differentiation, market share, pricing strategies, and marketing tactics.

- **Intermediaries**

Intermediaries are organizations that facilitate the distribution of products or services from the company to the end customers. These can include wholesalers, retailers, distributors, and logistics providers. Understanding the relationships and dynamics with intermediaries is crucial for efficient and effective distribution.

- **Publics**

Publics refer to groups or individuals interested in or impacting the company's operations and performance. This includes the media, government agencies, local communities, and special interest groups. Managing relationships and addressing different public concerns is important for maintaining a positive reputation and minimizing negative impacts.

- **Financial Institutions**

Financial institutions such as banks and investors play a crucial role in providing capital and financial resources to businesses. Establishing good relationships with financial institutions is important for obtaining funding, managing cash flow, and supporting business growth.

- **Employees**

Employees are an integral part of the microenvironment. Their skills, knowledge, motivation, and commitment directly impact a company's performance. Effective human resource management practices are essential to attract, retain, and develop talented employees.

- **Stakeholders**

Stakeholders include individuals or groups vested in the company and its activities. This can include shareholders, employees, customers, suppliers, and the local community. Understanding their expectations and addressing their concerns is important for maintaining long-term sustainability and social responsibility.

MACRO ENVIRONMENT

The macro-environment refers to the major external and uncontrollable factors that influence the decision-making of an organization. A company does not operate alone in its business environment but operates in a larger context. It comprises forces that provide opportunities, but at the same time also pose threats to a company.

Six components of the macro environment are –

Demographic, *Economic*, *Natural*, *Technological*, *Political*, and *Cultural* Environments.

Figure: Macro Environment Elements
Source: Shiksha.com (2024)

ELEMENTS OF MACRO ENVIRONMENT

- ***Demographic environment***

Demography can be defined as the study of the human population in the context of size, density, age, location, gender, race, occupation, and other statistics. Marketers have a special interest in the demographic environment because it consists of people and people are the driving force for the development of markets. The large and diverse demographics offer both opportunities as well as challenges for businesses.

- ***Economic environment***

The economic environment consists of factors that can affect consumer purchasing power as well as spending patterns. As an example, a company shouldn't start exporting its goods to a country before having examined the citizens' spending patterns. Important economic criteria include GDP, GNI, import duty rate, unemployment, inflation, spending patterns as well as disposable personal income.

- ***Natural environment***

It refers to the natural resources or physical environment that are required as inputs by marketers or which are affected by the marketing activities. Ecological conditions have become a crucial factor to consider as environmental concerns have grown strongly in recent years. For example, air and water pollution, floods, droughts, etc.

- ***Technological environment***

Technology has a crucial influence on the macro environment. An organization needs to perform thorough research on the spread and use of technology, before investing in any of its marketing activities. The company needs to have an understanding of the technology penetration as well as user interface technology in the region and make plans accordingly for their communication and campaigns.

- ***Political environment***

The developments in the political environment strongly affect marketing decisions. This involves laws, government agencies, as well as pressure groups that can influence or give constraints to various individuals or organizations in a given society.

- ***Cultural environment***

The cultural environment links to factors that affect the basic values, preferences, perceptions, and behavior of the society. Organizations need to understand the cultural beliefs and practices prevalent in society for marketing decision-making. Failure of companies to understand foreign cultures can lead to many cultural blunders. For example, a symbol having a positive meaning in one culture can have a negative meaning in another culture.

In conclusion, the success of any marketing campaign is highly dependent on the micro and macro environmental factors. Any strategic marketer should have an in-depth consideration of these factors for any decision-making. Considering these factors can boost the success rates of marketing campaigns for any organization as well as increase the reputation of the brand in the long term.

Activity:
Form a group of 2-3 people. Select any company either from the foods & beverage industry or the clothing industry. Make a list of its microenvironment elements with the necessary information.

Discussion Questions:

1. Differentiate between micro & macro environment.
2. Discuss the elements of the microenvironment with examples.
3. Explain the elements of the macro environment with examples.

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MANAGING MARKETING INFORMATION TO GAIN CUSTOMER INSIGHTS

4

Unit Highlights

- Lesson – 1: Understanding Marketing Research
- Lesson – 2: Scope of Marketing Research

Technologies Used for Content Delivery

- BOUTUBE
- BOU LMS
- WebTV
- Web Radio
- Mobile Technology with MicroSD Card
- LP+ Office 365
- BTV Program
- Bangladesh Betar Program

Lesson-1: Understanding Marking Research

After completion of this lesson, you will be able to –

- *Define marketing research.*
- *Understanding the steps of the marketing research process.*

Marketing research

Marketing research is a useful and necessary tool for helping marketers and an organization's executive leadership make wise decisions. Carrying out marketing research can involve highly specialized skills that go deeper than the information outlined in this module. However, any marketer needs to be familiar with the basic procedures and techniques of marketing research.

Figure: The marketing research process
Source: Lumen Learning (2016)

It is very likely that at some point a marketing professional will need to supervise an internal marketing research activity or to work with an outside marketing research firm to conduct a research project. Managers who understand the research function can do a better job of framing the problem and critically appraising the proposals made by research specialists. They are also in a better position to evaluate their findings and recommendations.

1. Defining the problem & research objectives

The first step is to define the problem you're aiming to solve. Asking specific questions will help pinpoint the most pressing needs or reveal the biggest opportunities to reach your research objectives. Questions you might ask in this initial stage include:

- ✓ How many of our recent buyers are first-time customers?
- ✓ How can we turn them into repeat customers?
- ✓ Why are sales lower than last quarter?
- ✓ Are our prices too high?
- ✓ Why do customers put items in their shopping cart but don't complete the purchase?
- ✓ How can we make our checkout flow more efficient?

2. Designing the research plan for collecting the information

A marketing research plan can help a business outline how to find the ways to address the questions it seeks to answer or the problems it wishes to solve. How you plan and design this research depends on the budget available, the research method chosen to source data, and the scope of the project.

There are two main research methods you can use to collect your data: primary research and secondary research. Each pulls information from different sources to provide a clear snapshot of your marketing research plan.

(i) *Primary research* -- Primary research involves gathering original data through collection methods such as surveys or in-person interviews, then synthesizing that data into a report. Although potentially time-consuming and costly, it may be among the best ways to accurately collect answers to your questions.

(ii) *Secondary research* -- Secondary research data involves gathering and synthesizing information gleaned from other sources, such as research reports, websites, or government files. Most research plans start with secondary data since it's usually less expensive and readily available. You can use the information you gleaned using secondary data to inform how you will approach your primary research.

The scope and budget for the plan will likely influence the time it takes to complete the research. A smaller sample size, for example, may only need a few weeks, while a larger, complex research project may take months (and more money) to collect the necessary information.

3. Collecting the data

After identifying objectives, it's important to start collecting information. There are several different data collection methods that you can use to source information.

- Surveys-- Conducting a survey is an effective primary research method that can provide valuable feedback about business practices, marketing tactics, and product demand. Unbiased survey research can help capture the thoughts and feelings of a particular demographic.
- A/B testing-- This research methodology compares two or more versions of a variable—say, two layouts of the same website (version A and B)—to collect information to test which would result in better outcomes and consumer engagement. In this scenario, the goal may be to see which site attracts more direct traffic to increase the number of monthly visitors.
- Social media polling-- Setting up a social media poll can be an effective and inexpensive way to collect user data. Polling current and potential customers gathers insight from your target audience, which can impact how the company curates its products and user experiences.
- Interviews-- Face-to-face or phone interviews can help companies assess consumer expectations of a brand. During these interviews, participants may be asked questions like: How long have you been a customer? Or: Why did you choose this brand over the competitor?
- Focus groups -- Focus groups gather a select group of people together based on demographics, buying history, or other factors to collect non-numerical (qualitative) data about a particular product or service. With focus groups, moderators can capture a variety of opinions and emotions via open-ended conversation or lines of questioning to capture the feelings of potential (or current) customers toward a product or service.

4. Analyzing your data

Analyzing data is a way to uncover trends or patterns within the company or in the marketplace that can impact a business's market performance. Data analysis transforms raw metrics into digestible information to provide the answers to your initial research questions.

There are four main types of analysis you can use to evaluate data:

- Descriptive analytics----Analysis tools that lay out data in charts and graphs, for example, so you can see the big picture are known as descriptive analytics. This type of analysis presents a snapshot of performance in numbers, such as unique users or page views.

- Diagnostic analytics---Analysis tools that provide more than a general overview can help you find the "cause and effect" of a problem. For example, if the number of visitors to your website has decreased by 15% within the last six months, you'll want to investigate why. Are too many pop-ups making it more difficult for users to navigate the site, or is the page load speed too slow and users are clicking out to another website?
- Predictive analytics---Based on existing data, predictive analytics help companies establish predictive models to forecast future outcomes more accurately. For instance, if data points to a correlation between the start of the school year and increased clothing sales, your e-commerce may need additional solutions to help take care of increased web traffic during this time of year.
- Prescriptive analytics---This analytics tool combines descriptive, diagnostic, and predictive analytics methods to help companies optimize their best course of action. For example, if predictive analytics show clothing sales go up at the beginning of the school year, prescriptive analytics would assist in prescribing a solution—in this case, finding web hosting plans that upgrade site bandwidth to accommodate increased web traffic.

5. Analyzing your results

Once you've done the research and analyzed the data, you can build a research report to present your key findings. You can present your report in a slideshow format, as an illustrated book, as a video, or in an interactive dashboard that allows users to look at the data in different ways. The emphasis should be on presenting the information in a way that is comprehensible and accessible.

Marketing research reports contain, at minimum, key company-specific details like customer profiles, target audience buying habits, and market competitors, and address the questions your research sought to answer. Beyond that, reports typically present the findings from the research in a narrative format that incorporates visuals, like charts and graphs, alongside "real people" feedback. You're not looking to present a stack of numbers—you want to establish a story about real people, how they behave, and their desires (as they pertain to the company or product). The report also needs to present the solutions to these problems—how the company should tailor its strategies to optimize its marketing and target its consumers better.

Other information to include in your report is how you arrived at these conclusions. Which research methods did you use? How long did it take? How big were your sample groups? Once the report is compiled, share these results with all necessary parties, like relevant stakeholders such as the marketing team, company managers, or other people this proposed shift in strategy might affect, like engineering.

6. Interpreting & reporting your findings

Once you've analyzed your data, it's time to develop actionable plans that put your findings into play, whether it's developing brand-new strategies or improving existing ones. Some findings may result in big shifts to your marketing plans or small improvements that can help you optimize your company strategy overall.

For instance, if your marketing report points to an issue with retaining a younger audience, you may need to redesign your entire social media campaign to accommodate a wider demographic. Or, you might only need a smaller shift, like offering extra promotions through social media accounts to entice current young customers to stay loyal. An ever-changing market means that your data won't stay relevant forever, so turning your info into action can help you improve your business when it counts.

Lesson-2: Scope of Marketing Research

After completion of this lesson, you will be able to –

- *Understand how to analyze & use marketing information*
- *Recognize marketing research considerations for small business & non-profit organizations.*
- *Discuss the importance and criteria of international marketing research.*

Analyzing and Using Marketing Information

Collecting, analyzing & using information through internal databases, marketing intelligence & marketing research usually requires additional analysis. Managers also need help using this information to gain customer insights & market information that helps to improve marketing decisions. After processing & analyzing the information, it must be made available to make the right decision to the makers at the right time.

Customer relationship management:

Customer relationship management is the best way to analyze & use marketing information. Customer relationship management (CRM) is "managing detailed information about individual & carefully managing customer touch points to maximize customer loyalty".

These touch points are customer purchases, sales force contact, service & support calls, online site visits, satisfaction surveys, and credit & payment interactions.

Through CRM, managers can better understand customers & provide higher levels of customer service & develop deeper customer relationships. They can pinpoint high-value customers & target them effectively, cross-sell the company's product. However, one thing we should keep in mind is that the benefits of CRM don't come without costs & risks, they should collect the original customer data or maintain & mine it. The common mistake of CRM is viewed as technology & software solutions only but technology alone cannot build profitable customer relationships. By installing new software, companies can't improve it. They should be focused on managing customer relationships & then employ high-tech solutions.

Distributing & using marketing information:

Without gaining customer insights & better marketing decisions, marketing information is value-less. Marketing information systems make the information available to managers & others who need it. Companies allow key customers & value network members to access accounts, products & other data on demand through extranet line suppliers, resellers may access the company's extranet to update their accounts.

Other Marketing Information Considerations

- **Marketing Research in Small Businesses and Not-for-Profit Organizations**

- Marketing research also occurs in and is important to small businesses and not-for-profit organizations.
- Many times, these types of firms can do research simply by observing what goes on around them.
- Managers can conduct informal surveys using small convenience samples.
- The use of small focus groups is also a useful technique.
- Managers can also conduct their simple experiments.
- One of the best sources of information for these firms is secondary data.
- No matter how these firms conduct research, they must still follow the same basic rules of sound research used by larger more sophisticated firms

➢ International marketing research

International marketing research follows the same steps as domestic marketing research. It is, however, often more difficult and there are different problems because there are often many countries involved in the research effort.

- In foreign markets, the international researcher often has difficulty finding good secondary data.
- Collection of primary data poses the same problem as for domestic research.
- In addition, cultural differences can cause additional problems because of language, differences in buying roles and consumer decision processes, willingness to respond, ability to respond (illiteracy), and respondents may make false claims to appear to be well-off. Translation is always a very difficult problem.
- Two major problems are 1). Intrusions on consumer privacy. There is increasing resentment here. a). Industry is responding with education programs and stricter enforcement of codes and ethics. b). Marketers must show customers that there is value in giving marketers information. Consumers should be more willing to give the information if this is done. 2). Misuse of research findings. a). Companies often use research findings as advertising gimmicks. Because of this intent, some companies rig their research efforts. b). some independent surveys are not independent at all. They get paid for by a company.
- Despite these problems, international marketing's popularity has given rise to an increase in international marketing research.
- Public policy and ethics in marketing research
- Public policy and ethics in marketing research are important considerations. When properly used, marketing research benefits both the company and its customers.
- When misused, however, marketing research can also abuse and annoy customers.
- The marketer wants to avoid intrusions into the consumer's privacy and ethically use the research.

Activity:

- Identify a product or service of your choice that you are interested in studying.
- Provide a brief overview of the product or service, its target market, and its current marketing strategies.
- Develop a survey or interview questions to gather data from potential consumers or users of the chosen product or service.
- Conduct primary research by administering your survey or conducting interviews with a small sample size (e.g., classmates, family, and friends).
- Prepare a report summarizing your findings from both secondary and primary research.
- Based on your analysis, provide recommendations on how the marketing strategy for the chosen product or service could be improved or modified.
- Present your findings and recommendations to the class.

Discussion Questions

1. Define marketing research. Explain all the steps being used for conducting market research.
2. Differentiate between primary & secondary research using examples.

3. How many sources a market researcher can use to collect data?
4. There are four main types of analysis one can use to evaluate data. Discuss.
5. What are the techniques one can apply to conduct market research for small businesses & non-profit organizations?
6. Make a list of problems that may happen in international marketing research.

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CONSUMER MARKETS AND CONSUMER BUYER BEHAVIOR

5

Unit Highlights

- Lesson – 1: Factors Affecting Consumer Behavior
- Lesson – 2: Types & Process of Consumer Buying Decision

Technologies Used for Content Delivery

- BOUTUBE
- BOU LMS
- WebTV
- Web Radio
- Mobile Technology with MicroSD Card
- LP+ Office 365
- BTV Program
- Bangladesh Betar Program

Lesson-1: Factors Affecting Consumer Behavior

After completion of this lesson, you will be able to –

- *Define consumer buyer behavior.*
- *Learn the model of consumer behavior.*
- *Understand the factors/characteristics influencing consumer behavior.*

Understanding consumer buyer behavior is crucial for businesses and marketers, as it allows them to tailor their products, services, and marketing strategies to meet the needs and desires of their target audience effectively.

Consumer buyer behavior refers to the study of how individuals make decisions to spend their available resources (time, money, effort) on consumption-related items. It encompasses the processes and factors that influence consumers' decisions when selecting, purchasing, using, and disposing of goods, services, experiences, or ideas.

Model of consumer behavior

The Buyer's Black Box Model, also known as the Black Box Model of Buyer Behavior, is a conceptual framework that focuses on the internal processes that occur within a consumer's mind during the decision-making process. It suggests that the decision-making process is like a "black box" where inputs (such as marketing stimuli) are processed and transformed into outputs (such as purchase decisions). However, the specific internal processes that occur within the black box are not directly observable.

Here's a breakdown of the components of the Buyer's Black Box Model:

- Stimuli: These are the various inputs that influence a consumer's decision-making process. Stimuli can be divided into two categories:
- Marketing Stimuli: These include product features, pricing, promotion, and distribution channels. They are controlled by marketers.
- Environmental Stimuli: These include cultural, social, economic, and technological factors that influence consumer behavior but are beyond the marketer's control.

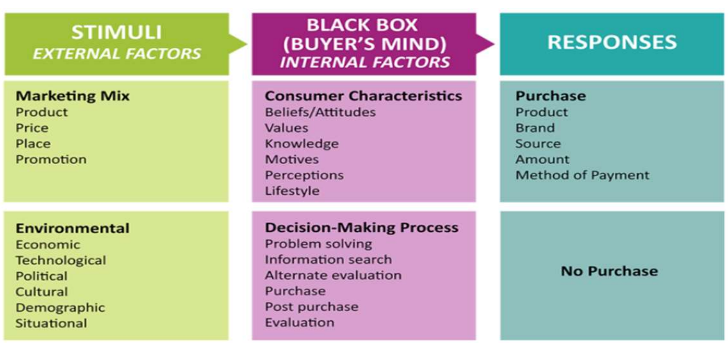

Figure: The buyer black box
Source: Lumen Learning (2024)

The Buyer's Black Box Model provides a framework for understanding how external stimuli are processed and transformed into consumer responses. By analyzing the components of the black box and the factors that influence them, marketers can develop strategies to effectively influence consumer behavior and achieve their marketing objectives.

Characteristics Affecting Consumer Behavior

➢ Cultural Factors

Personal factors are individual-centric and vary widely from one person to another. Age dictates life-cycle needs, with younger individuals prioritizing different products than older individuals. Occupation and lifestyle heavily influence daily needs; a tech professional might prioritize the latest gadgets, while a farmer might value agricultural tools. Personality, the inherent traits defining an individual, also shapes buying decisions; extroverts might gravitate towards bold, attention-grabbing products, while introverts prefer understated items.

Cultural factors include:

- **Culture:** The values, perceptions, and beliefs society instills can influence consumer decisions. In some cultures, for example, gold jewelry is bought extensively as it symbolizes wealth and status.
- **Subculture:** Groups within a culture have shared beliefs and values. For instance, the younger generation might be more inclined toward online shopping than the older generation.
- **Social Class:** Different classes have different preferences. Luxury brands often target the upper class, while discount stores might target the middle or lower class.

For example:

Brand: Coca-Cola

Coca-Cola's "Share a Coke" campaign, where bottles were personalized with common names, tapped into cultural and subcultural identities. In various regions, names from local cultures were printed, making the global brand feel personally relevant to different cultural groups.

➢ Social Factors

Social factors emphasize society's influence on individual consumers. The family often plays a pivotal role, with members having a say in collective decisions. Reference groups, which could range from close friends to celebrities, often serve as benchmarks or influencers, guiding buying choices. Additionally, an individual's roles (like being a parent or a manager) and status within society can dictate certain purchase behaviors, as they seek products or services that align with or elevate their social standing.

Social factors include:

- **Family:** Family members can influence purchasing decisions. For instance, parents might buy a car based on its safety record, thinking of their children.
- **Reference Groups:** These are groups that a person looks to for validation or approval. If a celebrity, seen as a reference, endorses a product, their fans might be more inclined to buy it.
- **Roles & Status:** Depending on one's role in society (e.g., parent, manager, student), they might make certain purchasing decisions. A manager might buy formal clothes to maintain their professional status.

For example:

Brand: Apple

Apple products are not just gadgets but status symbols. The brand has cultivated a loyal community, and being a part of the "Apple ecosystem" often feels like being in an exclusive club. When someone sees friends or celebrities using Apple products, it creates a social urge to belong, driving more purchases.

- **Economic Factors**

Economic factors revolve around the financial aspects that influence buying decisions. Personal income dictates disposable income levels, thereby determining purchasing power. The broader economic situation of a country, whether booming or in recession, influences consumer confidence and spending patterns. Liquid assets, or readily accessible funds, can also sway decisions; those with ample liquid assets might be more open to impulsive or luxury purchases than those with tighter financial constraints.

- **Personal Income:** How much someone earns directly affects their purchasing power. Someone with a high salary might not think twice about buying branded goods, while someone with a lower salary might look for deals.
- **Country Economic Situation:** In a recession, even those with stable incomes might cut back on luxury items, prioritizing necessities.
- **Liquid Assets:** The more liquid assets (like cash or assets easily converted into cash) someone has, the more they might be willing to spend on big-ticket items.

For example:

Brand: Walmart

Walmart's promise is clear: everyday low prices. Especially in times of economic downturn or among budget-conscious shoppers, Walmart's positioning as an affordable shopping destination influences consumers looking to maximize their purchasing power.

- **Personal Factors**

- **Age:** As people grow, their tastes and preferences change. Teenagers might spend on gadgets, while older people might invest in health products.
- **Occupation & Lifestyle:** A corporate executive might buy formal attire and a luxury car, while an artist might prefer bohemian clothing and a vintage car.
- **Personality:** Some people prefer flashy items because of their extroverted nature, while introverts might choose more subtly.

Brand: L'Oréal

L'Oréal's famous tagline, "Because you're Worth It," speaks directly to individual self-worth and esteem. By positioning their products as a means of personal pampering and self-care, they cater to consumers' personal feelings and self-perception.

- **Psychological Factors**

Psychological factors delve deep into how a consumer's mind works, influencing their buying decisions. Core elements such as motivation drive individuals to fulfill inherent needs. Learning, based on past experiences and external inputs, can shape preferences. Attitudes and beliefs, formed over time, dictate personal stances on products or brands. Lastly, perception, the individual lens through which one views the world, can greatly vary, causing different consumers to interpret the same information differently. For marketers, understanding these nuances can help craft resonant messages.

Psychological factors include**:**

  - **Motivation:** The inner drive compels a consumer to fulfill a need. For example, someone might buy a luxury car not just for transportation but to fulfill a deeper need for status or self-esteem.

- **Learning**: It involves acquiring knowledge through experience and outside sources. For instance, a customer might buy a certain detergent brand because experience has shown it works best for them.
- **Attitudes & Beliefs:** These are formed over time from various sources, including experience and external influences. A person might choose eco-friendly products because they believe in environmental conservation.
- **Perception:** How a consumer interprets and makes sense of available information. For example, two customers might see an advertisement: one perceives it as informative, while another finds it manipulative.

For example:

Brand: Nike

Nike's "Just Do It" campaign taps into its consumers' motivation and aspirations. The message is clear: anyone can achieve their goals with determination. The brand effectively uses this psychological trigger to motivate consumers, making them feel empowered while wearing Nike products.

Activity:

1. Recall any of your recent purchases. Use the Buyer Black Box model and identify all the stimuli that worked when you purchased that product.
2. Also figure out the factors which played influential roles in buying that product.

Lesson-2: Types & Process of Consumer Buying Decision

After completion of this lesson, you will be able to –

- *Identify types of buying decision behavior.*
- *Understand the difference between the stages of the consumer buying decision process & buying decision process for new products.*
- *Recognize the individual differences in innovativeness.*

Types of Buying Decision Behavior

While making a purchase, a consumer has to consider many things based on what product he is buying. It is because there is a difference between buying a car and buying a toffee. In simple terms, it can be seen that if a product is expensive, then the consumer will take more time and make more effort in making its purchase; however, if a product is cheap or ordinary, then the consumer will take no or less time and efforts in its purchase.

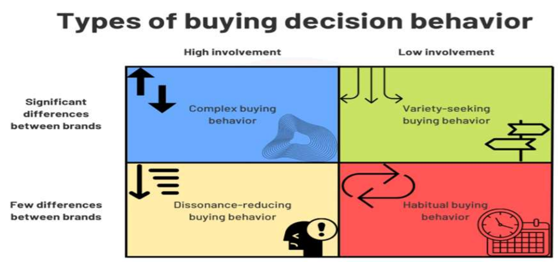

Figure: Types of buying decision behavior

Source: Learn Marketing (2024)

There are four types of buying decision behavior; viz., Complex Buying Behavior, Dissonance-Reducing Buying Behavior, Habitual Buying Behavior, and Variety-Seeking Buying Behavior.

1. Complex Buying Behavior:

Complex buying behavior occurs when consumers face a high level of involvement in the purchase decision and encounter significant differences among available options. This type of behavior is commonly observed when consumers are purchasing expensive, risky, infrequently purchased, and highly self-expressive products, such as a house, a car, or a computer. The decision-making process is extensive and involves thorough research, evaluation of alternatives, and consideration of multiple factors, such as price, quality, features, and brand reputation. Consumers engage in information gathering, consult expert opinions, and rely on personal experiences to make informed decisions.

For example, suppose a consumer wants to buy a new laptop. He would likely spend time researching different brands, comparing specifications/features, reading customer reviews, and seeking recommendations from friends or technology experts before finalizing their purchase.

Simply put, in complex buying behavior, the consumer will go through different learning phases. Firstly, he will learn and develop a belief regarding the product that he wants to purchase. The belief of the consumer creates his attitude based on which he will make the final purchase decision. Therefore, the marketers of the high involvement products must ensure that they understand the information-gathering and evaluation behavior of these customers and help them learn about the attributes of the product along with their relative importance. They can also take the help of advertisements so the customers can get answers to basic questions.

2. Dissonance-Reducing Buying Behavior:

Dissonance-reducing buying Behavior occurs when consumers face a high level of involvement in the purchase decision but encounter little difference among brands. This type of behavior is commonly observed when consumers are purchasing expensive, infrequent, or risky products; such as furniture, curtain material, or sofa covers/upholstery. These products face high involvement of the consumer as they are expensive and self-expressive. Also, as the perceived brand difference is not large in this case, the consumers would purchase easily and readily available products.

For example, suppose a consumer wants to buy a portable tent for camping. For this, he will have to make a quick decision from the limited options available to him. He will make the purchase decision without doing enough research and inquiring about information from different sources about it. Once the purchase is made, the consumers might experience **post-purchase dissonance** or **after-sale discomfort**.

It happens when the consumer notices some disadvantages of the purchased brand or hears some good things about the other brand. For such dissonance, the marketer needs to provide the consumers with after-sale communications and help them feel good about their brand choices.

3. Habitual Buying Behavior:

Habitual Buying Behavior occurs when consumers face a low level of involvement in the purchase decision along with little significant brand differences. This type of behavior is commonly observed when consumers are purchasing products like salt, etc. Low involvement of consumers means that they simply reach the store and go for a brand to buy a product. If the consumer is buying a product from the same brand, it does not mean that they are loyal to the brand. It just means that the consumer is buying the product out of habit.

For example, buying a specific brand of toothpaste, snack items, or toiletries from a particular store without much thought or consideration falls under habitual buying behavior. Consumers may choose these products based on familiarity, past positive experiences, or simply because it is part of their routine.

The consumer behavior, in this case, does not pass through the usual belief attitude behavior sequence. Before purchasing a product, these consumers do not extensively search for information regarding the brand, evaluate the characteristics of the brand, and make weighty decisions on which brand to purchase. Instead, they just passively receive the information while watching television or reading newspapers or magazines. Also, Ad repetitions instead of creating brand conviction, create brand familiarity in the minds of consumers. Because of this, consumers do not form strong attitudes toward a brand; they just select the brand because they are familiar with it. Therefore, the marketers take help of repetitive marketing campaigns, so that consumers can remember their brand.

4. Variety-Seeking Buying Behavior:

Variety-seeking buying Behavior occurs when consumers exhibit a desire for new experiences, change, and novelty in their purchases. It means that when consumers face a low level of involvement but significant perceived brand differences, they undertake variety-seeking buying behavior. In such cases, the consumers switch brands more often.

For example, a consumer chooses a biscuit brand without doing much evaluation, and then after consuming the product, evaluates it. However, the consumer might pick another brand of biscuit when making a purchase the next time. The reason behind this can be his urge to try something new or just out of boredom.

Consumers engaging in variety-seeking behavior may not have strong brand loyalty and actively seek alternatives, even if they are satisfied with their current choices. They enjoy exploring different options, experimenting with new products, and deviating from their routine purchases. This behavior is more prevalent in product categories where there are numerous options and alternatives available. Besides, the marketing strategy of the products, in this case, may differ for the minor brands and the market leader. Market leaders try to encourage the habitual buying behavior of consumers by dominating shelf space, keeping the shelves fully stocked with goods, and running advertisements frequently as reminders. However, the challenger firms encourage the variety-seeking behavior of consumers by offering them coupons, free samples, and goods at lower prices and encouraging them through advertisements to buy something new.

The Buyer Decision Process

The consumer decision-making process is also known as the ***consumer buying process***. It is a journey that individuals follow to make purchase decisions. It commences when consumers become aware of and can identify their needs. Subsequently, they gather information to determine the optimal solution for these needs. This leads to a phase of exploring alternatives, culminating in the purchase decision and post-purchase evaluation. This structured process reflects how consumers navigate their buying choices, which is vital for businesses seeking to effectively engage and cater to their target audience.

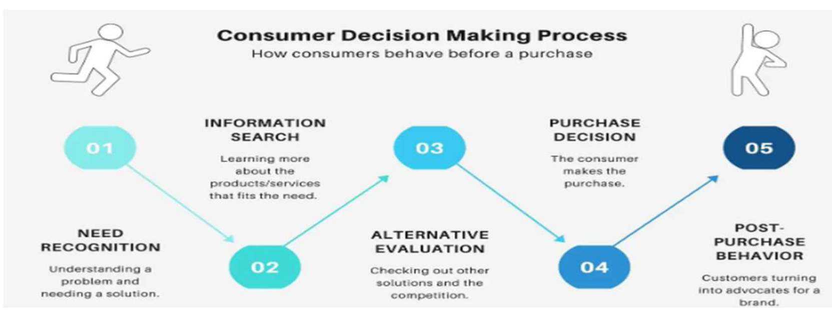

Figure: Stages of Consumer Decision-Making Process

Source: Masud (2024)

i. **Problem Recognition**

Problem recognition is the initial stage of the consumer decision-making process. At this point, individuals become aware of a need or problem that can be addressed by acquiring a product or service. This stage is triggered by a gap between the consumer's current state (a perceived problem) and their desired state (a solution).

For example, imagine you own an older smartphone that's sluggish and can't run the latest apps. You recognize the need for a new phone to enhance your mobile experience, leading to problem recognition.

ii. **Information Search**

Information search is when consumers actively seek data and details about solutions to their recognized problems or needs. They explore various sources, from online reviews to word-of-mouth recommendations, to make informed decisions.

For example, if you wish to buy a new smartphone, you might start researching online, reading reviews, and asking friends for recommendations. Also, you might visit stores to gather information about the latest models, features, and prices.

iii. **Evaluation of Alternatives**

In the consumer decision-making process, the “Evaluation of Alternatives” stage occurs after consumers have recognized a need and gathered information. During this phase, individuals assess the available options, weighing factors such as quality, price, brand reputation, and reviews to determine which product or service aligns best with their needs and preferences.

For example: After researching various smartphone models, you compare them based on specifications, features, pricing, and customer reviews. This evaluation helps you decide which smartphone offers the best value for your needs.

iv. **Purchase-Decision**

The purchase decision is the phase in the consumer decision-making process where individuals, having recognized a need and gathered information, finalize their choice of product or service. At this stage, consumers weigh the options and decide which one to purchase based on price, brand, and perceived value.

For example, after researching smartphone options, choose a specific model that aligns with your needs, budget, preferences, and purchase preferences.

v. **Post-Purchase Behavior**

Post-purchase behavior is the final stage of the consumer decision-making process. It involves the consumer’s actions and feelings after making a purchase. This stage can encompass satisfaction or dissatisfaction with the product, feedback sharing, and the potential for repeat purchases or brand loyalty.

For example: After buying a new smartphone, you assess your satisfaction with its performance, features, and overall experience. Positive post-purchase behavior may lead to brand loyalty and recommendations to others.

Buyer’s Decision Process for New Products

Buyers may pass quickly or slowly through different stages of the buying decision process, and some of those stages may even be reversed. It depends on the nature of the buyer, the product, and the buying situation. Now we look at how buyers approach a new product until it is purchased. A new product can be a good, service, or idea that some potential customers perceive as new. Marketers' main interest is to know how consumers learn about new products for the first time and decide whether to adopt them. We can also define the adaptation process as a mental process through which an individual customer passes from the first learning about an innovation of a product to the final adaptation and adaptation is a decision by an individual to become a regular customer of the product.

Stages in the Adaptation Process

Buyers go through five stages in this process of adapting to a new product:

I. *Awareness*: The customer becomes aware of the new products, but lacks sufficient information about them.
II. *Interest*: The consumer seeks information about a new product.
III. *Evaluation*: The customers consider whether trying the new product makes sense.

IV. *Trial*: The customer tries a new product on a small amount to improve his or her estimate of its value.
V. *Adaption*: The customer decides to make regular or full use of the new product.

This process suggests that the new-product marketers must think about how to facilitate their consumers' move through these stages. A manufacturer of HDTVs may discover that many customers in the interest stage do not go to the trial stage because of uncertainty and the huge investment. If these same consumers were willing to use HDTVs on a trial basis for a small fee, the manufacturer could consider offering a trial-use plan with an option to buy.

Individual Differences in Innovativeness

People differ greatly in their willingness to try new goods and services. In each product area, there are consumption of pioneers and early adapters. Other individuals adopt these new products much later. The five adapter groups have differing values. Innovators are adventurous – they try new product ideas at some risk. Early adapters are usually guided by respect – they are generally opinion leaders in their communities and they adapt new ideas early but carefully. The ***early majority*** are deliberate – even though they rarely are leaders, they adapt innovative ideas before the average person**. *The late majority*** are dubious – they adopt an innovative product only after a majority of people have already tried it. Finally, the ***laggards*** are tradition-bound – they are hesitant to change and adapt innovative ideas only when it has become something of a practice itself.

This classification of adapter suggests that an innovating business should research the all characteristics of the innovators and the early adopters, and they should try direct marketing efforts towards them. In general, innovators tend to be relatively young, better educated, and have higher incomes than later adaptors and non-adapters. They are more approachable to new things, more rely on their values beliefs, and judgment, and are more willing to take risks. They are fewer brands loyal and more likely to get advantages of special promotions such as coupons, discounts, and samples.

Activity:

Recently a saloon has been opened in your locality and it is offering a discount for its first 20 customers. Based on this scenario, discuss the stages in your adaptation process. In which adapter group you would belong to?

Discussion Questions

1. Explain the buyer black box model using an example.
2. Which factors can influence your buying behavior as a consumer? Discuss using examples.
3. Recall any of your purchase experiences. What are the stages you have gone through while deciding to buy that product?
4. To buy a new product, which stages of the innovation process would be followed?

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BUSINESS MARKETS AND BUSINESS BUYER BEHAVIOR

6

Unit Highlights

- Lesson – 1: Understanding Business Buyer Behavior
- Lesson – 2: Learning Business Buying Process, Govt. & institutional Market

Technologies Used for Content Delivery

- BOUTUBE
- BOU LMS
- WebTV
- Web Radio
- Mobile Technology with MicroSD Card
- LP+ Office 365
- BTV Program
- Bangladesh Betar Program

Lesson-1: Understanding Business Buyer Behavior

After completion of this lesson, you will be able to –

- *Identify how business-to-business (B2B) markets differ from business-to-consumer (B2C) markets.*
- *Explain why business buying is acutely affected by the behavior of consumers.*
- *Recognize the participants in the business buying process.*

BUSINESS MARKET

A business market, often called a *B2B (business-to-business)* market, is a dynamic arena where companies and organizations engage in transactions. In this context, businesses are buyers and sellers of goods and services tailored to the needs of other businesses. The business market typically involves larger quantities, higher monetary values, and more complex decision-making processes than consumer markets. Decisions are driven by efficiency, cost-effectiveness, and meeting specific organizational needs. Relationships in the business market are often built on long-term partnerships, negotiations, and contracts, making it a crucial sector in the global economy.

For example, in a business market, a restaurant owner is looking to buy industrial-grade ovens for the kitchen. They negotiate with equipment manufacturers to evaluate factors like capacity, energy efficiency, and supplier warranties.

Difference between a business & consumer market:

Aspect	Business Market (B2B)	Consumer Market (B2C)
Buyers	Companies, organizations	Individuals, households
Purchase Volume	Larger quantities per transaction	Smaller quantities per transaction
Decision Factors	Efficiency, cost-effectiveness, meeting business needs	Personal preferences, emotions, convenience
Marketing Approach	Direct negotiations, customized solutions, relationship building	Mass advertising, emotional appeal, branding
Examples	Industrial machinery, office supplies, software services	Clothing, smartphones, groceries

Table: Comparison between Business Market and Customer Market
Source: Shiksha Online (2023)

THE DEMAND FOR B2B MARKET

Even though they don't sell their products to consumers like you and me, B2B sellers carefully watch general economic conditions to anticipate consumer buying patterns. The firms do so because the demand for business products is based on derived demand. **Derived demand** is the demand that is derived from, a source other than the primary buyer of a product. When it comes to B2B sales, that source is consumers. If consumers aren't demanding the products produced by businesses, the firms that supply products to these businesses are in big trouble.

Fluctuating demand is another characteristic of B2B markets. It is a small change in demand by consumers can have a big effect throughout the chain of businesses that supply all the goods and services that produce it. Often, a bullwhip type of effect occurs. If you have ever held a whip, you know that a slight shake of the handle will result in a big snap of the whip at its tip. Essentially, consumers are the handle, and businesses along the chain compose the whip - hence the need to keep tabs on end consumers. They are a powerful purchasing force.

For example, Cisco makes routers, which are specialized computers that enable computer networks to work. If Google uses five hundred routers and replaces 10 percent of them each year, that means Google usually buys fifty routers in a given year. What happens if consumer demand for the Internet falls by 10 percent? Then Google needs only 450 routers. Google's demand for Cisco's routers therefore becomes zero. Suppose the following year the demand for the Internet returns to normal. Google now needs to replace the fifty routers it didn't buy in the first year plus the fifty it needs to replace in the second year. So, in year two, Cisco's sales go from zero to a hundred, or twice normal. Thus, Cisco experiences a bullwhip effect, whereas Google's sales vary only by 10 percent.

BUSINESS BUYER BEHAVIOR

Business buyer behavior refers to the intent and attitude shown by companies and employees while purchasing for the organization. Business buying behavior is recognizing a company’s requirements and goals and making suitable purchases that help the organization make profits.

TYPES OF BUYING SITUATIONS

Figure: Buying Situations
Source: bbamantra (2024)

A buyer may often encounter three different types of buying circumstances. One extreme of this circumstance is a straight rebuy which includes a regular purchase, and the other extreme is a new task, which requires extensive research. Modified rebuy exists at the middle level and takes considerable research. Below is a full description of each buying situation.

1. Straight Rebuy:

A Straight Rebuy occurs when a buyer purchases the same goods in the same quantities from the same source. In other words, nothing changes. Post-purchase reviews are frequently neglected unless the buyer observes an unanticipated change in the offering, such as a decrease in quality or delivery time.

2. Modified Rebuy:

When a company decides to purchase the same kind of product it has in the past but makes some changes to it, this is known as a Modified Rebuy. Perhaps the buyer wants the goods slightly customized or in different quantities, packaging, or delivery.

For Example, a buyer can opt for a modified rebuy because of the high price of a product or raw material. Suppose, a company wants to reduce its operating cost and wants to achieve this objective by optimizing its purchase cost and raw materials. To do so, the company can choose to change the vendor who can provide the company with raw materials at a better price.

3. New Task:

A firm that is purchasing a product or service for the first time has a new task. In these situations, the bigger the cost or risk, the greater the number of decision players and their attempts to gather information. A new-task buying situation arises when a company buys a product for the first time.

For example, A school district owns properties. When a new high school is needed, there may not be anyone in the administration who has expertise in developing new schools. That buying circumstance is a new task for everyone concerned.

PARTICIPANTS IN THE BUSINESS BUYING PROCESS

The different participants in a business buying process include:

1. **Users:** Users are those employees of the company who utilize the benefits of the good or service. Since they are the product's first consumers, they initiate the demand for it and help the other participants with queries regarding its specifications.

2. **Influencers:** Influencers often supply information for assessing alternatives as well as assistance in defining specifications. Influencers in the technical field are especially important.

3. **Buyers:** The formal authority to place the order and choose the terms and conditions for purchase belongs to the buyer. Selecting and negotiating with suppliers is the buyer's primary responsibility. When buying an advanced product, the top executives of the organization are involved.

4. **Deciders:** The final vendors may be chosen or approved by the decision-maker formally or informally. In routine purchases, buyers frequently make decisions or at the very least approve them.

5. **Gatekeepers:** Information transfer to other people is regulated by gatekeepers. **For example,** Buying agents have the power to prevent salespeople from visiting users or decision-makers. Technical staff and even personal secretaries are examples of additional gatekeepers. The buying center is not a permanent and formally designated unit within the buying organization.

Figure: Participants in the Business Buying Process
Source: Geeks for Geeks (2024)

MAJOR INFLUENCES ON BUSINESS BUYERS

When making buying decisions, business buyers are influenced by several factors.

Some of the major influences on business buyers include:

1. **Environmental Factors:** Current and expected economic environment variables such as the degree of primary demand, the economic forecast, and the cost of money have a considerable influence on business buyers. As economic uncertainty develops, company buyers restrict new investments and work to reduce stock holdings. Key material shortages are a major environmental problem that is growing to be more prevalent. Many businesses

are now more willing to buy and store more uncommon commodities to ensure adequate supply.

Environmental, technological, political, and competitive developments might influence business buyers. Culture and customs, particularly in an international marketing environment, may significantly impact business buyer reactions to marketer behavior and approaches.

2. Organizational Factors: Every purchasing organization has its own set of goals, rules, processes, structure, and systems. The business's marketer must be as familiar with these organizational factors as possible. Questions like these arise: How many people are engaged in the purchasing process? Who exactly are they? What is their criterion for evaluation? What are the company's buying policies and limitations?

3. Interpersonal Factors: The buying center often contains a large number of players who affect each other. It is sometimes difficult for a business marketer to figure out what kind of interpersonal factors and group dynamics to engage in the process of buying. Participants may influence their purchasing decisions because they handle the benefits and consequences, are well-considered, have specialized knowledge, or have a particular relationship with other important participants. Interpersonal factors are usually subtle. Business marketers must try to grasp these factors and build tactics that consider them whenever possible.

4. Individual Factors: Each person involved in the business's buying decision process brings personal reasons, views, and preferences to the table. Personal attributes such as age, income, education, professional identity, personality, and risk attitudes all have an impact on these individual factors. Buyers also have distinct purchasing styles. Some may be technical types who do extensive assessments of competing bids before selecting a supplier. Other buyers may be excellent negotiators at putting sellers against one another to get the best offer.

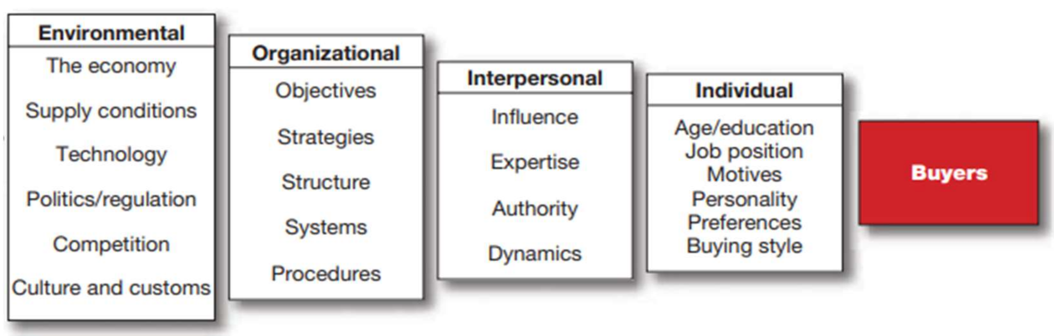

Figure: A model of Business Buyer behavior
Source: Kotler & Armstrong (2018)

Activity:
Assume your company makes shop towels, hand-washing stations, and similar products. Make a list of all the companies that could be potential customers of your firm. Then identify all the markets from which their demand is derived. (Who are their customers and their customers' customers?) What factors might influence the success or failure of your business in these markets?

Lesson-2: Learning Business Buying Process, Govt. & Institutional Market

After completion of this lesson, you will be able to –

- *Analyze the business buying decision process.*
- *Recognize the characteristics of institutional & government markets*

THE BUSINESS BUYER DECISION PROCESS

The processes for making decisions for organizations and consumers are quite different from each other.

Figure: The Business Buying Process
Source: Geeks for Geeks (2024)

There are eight stages in a business buying process:

Step 1: Problem Recognition

Problem recognition is the first and most essential step of the business buying process. In this step, a company *recognizes a problem or need that requires to be solved by acquiring a particular product or service*.

Step 2: General Need Description

The second step involves *determining the quantity and quality of the product and thus preparing a general need description*. If the items are standard, the business buying process presents limited problems. However, in the case of complex products, to define them, the buyer may have to work with other people like engineers, consultants, users, etc.

Step 3: Product Specification

After receiving input from the second step, the buying organization must *prepare technical specifications for the required parts*. At this step, the technical and other value-related specifications of the product are examined. These requirements need to match the organizational needs. The suppliers may offer products with broader applications but at a higher price. The **product value analysis** helps in reviewing product requirements and actual specifications to reduce waste. The marketer must collaborate with his technical and financial partners to assess the feasibility of the project and to explain the services they can provide to create and supply the product.

Step 4: Supplier Search

The next step in buying for a business is to *identify the most suitable vendors*. The organizational buyers evaluate the potential vendors and suppliers based on the effectiveness and quality of their products and services. In general, the vendors' dependability, market standing, and financial situation are taken into consideration.

Step 5: Solicitation of Proposals

In the fifth stage, *vendors are invited to submit their price quotes*. To provide their quotations, the suppliers employ catalogs or sales representatives. When purchasing expensive and complex things, it is possible to ask vendors for written proposals, compare those proposals, and choose the best vendor based on the results. The requested proposal from vendors should include both technical and marketing information.

Step 6: Supplier Selection

During this step in the business buying process, several ideas are evaluated based on their relevance. The buying center is prepared to *choose the vendor for organizational buying* after carefully examining the various vendor proposals. It is usually done with the compilation of a list of the necessary vendor attributes and their significance.
Some of the attributes include:

- Nature of technical support services
- Method and speed of delivery
- Nature of addressing customer needs
- Quality of products supplied
- Reputation in the market
- Price of the products supplied
- Credit Facility

At this point, the vendor analysis not only focuses on the technical aspects but also considers reliability, punctuality, price, credit offers, etc.

Step 7: Order-routine Specification

The *purchaser places an order with the chosen vendor* by listing technical specifications, required quantity, expected delivery time, return policies, and warranties.

Step 8: Performance Review/ Post-Purchase Evaluation

The final step in an organization's purchasing process is *post-purchase evaluation*. Buyers create an evaluation based on factors like cost, quality, delivery schedule, after-sale service, etc. After routine departmental discussions, an overall rating is provided. It helps in choosing whether to work with the vendor going ahead or to look for another. The assessment sheet is also distributed to them to provide vendors with a chance to get better.

INSTITUTIONAL & GOVERNMENT MARKETS

Institutional and government markets are two distinct segments of the market that serve specific purposes and have unique characteristics. These markets are primarily oriented toward the general welfare of the people rather than generating profits. In this context, let's explore the definitions and key characteristics of these markets.

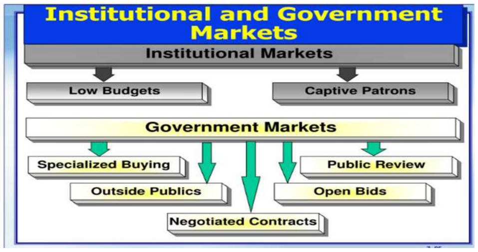

Figure: How institutional & government market works
Source: College hive (2024)

Government Markets

Government markets encompass purchases made by governmental units, including federal, state, and local government agencies, as they procure or rent goods and services to fulfill their core functions and responsibilities. These government units are significant buyers of a wide range of products and services.

Key Characteristics of Government Markets:

1. **Regulation:** Government organizations operate under specific regulations and guidelines. Suppliers must adhere to these regulations when conducting business with government entities.
2. **Procurement Procedures:** Government organizations typically follow formal procurement procedures, which often involve competitive bidding processes. Suppliers need to be aware of these procedures to participate in government contracts effectively.
3. **Budgetary Constraints:** Government agencies often operate with budget limitations, making cost-effectiveness a crucial factor in procurement decisions.
4. **Emphasis on Price:** While quality and reputation matter, governments frequently award contracts to the lowest bidder, making price a primary consideration in the decision-making process.
5. **Technology Focus:** To meet budgetary constraints and improve efficiency, suppliers may need to invest in technology and innovation to reduce costs.
6. **Product Specification:** Government contracts may have highly detailed product specifications, leaving little room for product differentiation.

Institutional Markets

Institutional markets encompass schools, universities, hospitals, nursing homes, charitable organizations, clubs, and similar entities that purchase goods and services to support their operations and provide services to the people they serve.

Key Characteristics of Institutional Markets:

1. **Diverse Entities:** Institutional markets comprise a diverse range of organizations, each with its own unique needs and objectives.
2. **Low Budgets:** Many institutional buyers operate with limited budgets, which can influence their purchasing decisions.
3. **Captive Patrons:** Institutions often serve a captive audience or clientele, meaning that individuals have limited choices in selecting services or products. For example, hospital patients typically have little choice in the food provided by the hospital.

4. **Quality and Reputation:** While cost considerations are essential, institutions may prioritize quality and reputation when selecting suppliers, as poor quality can harm their reputation and customer satisfaction.
5. **Specialized Divisions:** To meet the distinct characteristics and needs of institutional buyers, many suppliers establish separate divisions or departments dedicated to serving this market segment.

In conclusion, institutional and government markets represent not-for-profit sectors with their unique dynamics and considerations. Suppliers looking to engage with these markets must understand the specific regulations, procurement procedures, and buying behaviors associated with each segment to successfully navigate these diverse marketplaces.

Activity:
Interview someone you know who makes purchasing decisions as part of the job. How does he/she pass through the buying decision process?

Discussion Questions

1. How business-to-business (B2B) markets differ from business-to-consumer (B2C) markets?
2. Explain the types of buying situations with examples.
3. Make a list of the participants in the business buying process. Elaborate on their characteristics.
4. Discuss the stages in a business buying process.
5. Illustrate the characteristics of both institutional and government markets as significant buyers.

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CUSTOMER-DRIVEN MARKETING STRATEGY: CREATING VALUE FOR TARGET CUSTOMERS

7

Unit Highlights

- Lesson – 1: Overview of Market Segmentation, Targeting, Differentiation and Positioning

Technologies Used for Content Delivery

- BOUTUBE
- BOU LMS
- WebTV
- Web Radio
- Mobile Technology with MicroSD Card
- LP+ Office 365
- BTV Program
- Bangladesh Betar Program

Lesson-1: Overview of Market Segmentation, Targeting, Differentiation & Positioning

After completion of this lesson, you will be able to –

- *Understand the theme of market segmentation, targeting, differentiation & positioning.*
- *Identify the ways to do market segmentation & targeting.*
- *Learn different positioning strategies.*

Marketing's goal is to create value for customers and build profitable customer relationships to capture value back afterward. But how does the company create this customer value? The marketing strategy addresses exactly that. It is the marketing logic by which the firm wants to create this customer value and achieve these profitable customer relationships. But consumers are at the center of marketing. Therefore, we should not just establish a marketing strategy – it should be a customer-driven marketing strategy. How to create customer value and how to achieve profitable relationships?

First of all, the company has to know which customers it will serve. It must segment the market based on certain criteria that are relevant to the company. Then, it has to select one or several market segments to serve. We call these two steps segmentation and targeting. Finally, the company decides how it is going to serve the selected customers. This involves differentiating itself from other offerings in the market (differentiation) and aiming at a position in the market and customers' minds (positioning).

MARKET SEGMENTATION

Segmentation is the process of dividing the whole market into small subgroups based on shared characteristics like age, gender, taste, preferences, etc. Customers having similar needs and behaviors are to be put together. A market segment is a portion of the whole market that is expected to respond similarly to a given situation.

Market segmentation can be done based on:

- ***Demographic segmentation***

This is one of the most widely used segmentation methods. Demographic segmentation divides consumers into groups based on characteristics such as age, gender, income, family size, occupation, etc. An example is Firefox which sells 'coolest things', aimed at a younger male audience. Though, Moshi Monsters, however, is targeted to parents with fun, safe and educational space for younger audiences.

- ***Geographic segmentation***

This divides the market based on geographical aspects. Geographic segmentation can be a helpful tool for marketers, as certain customers from different parts of a country could have different wants and needs. Geographic segments include country, city, neighborhood, climate, etc. For example, Coca-Cola sells its products globally. While many drinks like Coca-Cola are available in over 200 countries, some like Ciel bottled water are only sold in Mexico, Morocco, and Angola. The brand tailors its offering to local tastes. For example, they acknowledge that consumers in Asia prefer sweeter flavors than those in the US or Europe. They modify their drink formula to satisfy different preferences.

- ***Psychographic segmentation***

This refers to 'personality and emotions' based on behavior, linked to purchase choices, including attitudes, lifestyle, hobbies, risk aversion, personality, and leadership traits. This looks at the intrinsic traits of the target consumer like style, values, and personality traits. Top companies like Apple use psychographic segmentation to build brand identities that match how users see their products and services. Apple's psychographic research will give it information about its target customers' needs and help it develop marketing strategies that focus on different psychographic segments.

- ***Behavioral segmentation***

This breaks down the market into subgroups based on consumers' behavior when making purchase decisions. It can be based on: occasions, user status, usage rate, loyalty etc. For the language app Duolingo, retaining users comes down to keeping them motivated as they memorize new words and phrases. They realize that most language learners eventually lose their initial drive and need a pick-me-up to continue studying. That's why Duolingo has decided to create user segments based on in-app behavior and milestone achievements.

MARKET TARGETING

The process of evaluating market segments and choosing the best to target comes under Market Targeting. Market Targeting undertakes the decision of choosing the best target audience and the degree to which the target market should be targeted. In simple terms, it is a process of choosing the best target audience for the product/service and declaring the other segments to be useless for a particular kind of product/service.

The 4 target marketing strategies are---

Figure: Market targeting strategies
Source: Study Smarter (2024)

1. Undifferentiated marketing:

Using an undifferentiated marketing (or mass-marketing) strategy, a firm might decide to ignore market segment differences and go to the whole market with one offer. This mass-marketing strategy focuses on what is common in the needs of consumers rather than on what is different. The company designs a product and a marketing program that will appeal to the largest number of buyers. It relies on mass distribution and mass advertising, and it aims to give the product a superior image in people's minds. For certain types of widely consumed items (e.g., gasoline, soft drinks, white bread), the undifferentiated market approach makes the most sense. For example, toothpaste (such as the brand Crest) isn’t made especially for one consumer, and it is sold in huge quantities.

2. Differentiated (Segmented) Market Targeting

Using a differentiated marketing strategy, a firm decides to target several market segments or niches and designs separate offers for each. To return to our previous example, the pie, we would now select the most delicious ones and focus on eating these. Procter & Gamble employs differentiated marketing by offering a variety of laundry detergents under brands like

Tide, Gain, and Downy. Each brand targets a specific segment, such as Tide for premium customers, Gain for budget-conscious consumers, and Downy for fabric softener enthusiasts.

3. Concentrated (Niche) Market Targeting

Concentrated marketing, is especially appealing when company resources are limited. Instead of going after a small share of a large market, the firm goes after a large share of one or a few segments or niches. An organization that adopts a concentration strategy chooses to focus its marketing efforts on only one very defined and specific market segment. Accordingly, only one marketing mix is developed. For example, the manufacturer of Rolex watches has chosen to concentrate on the luxury segment of the watch market.

4. Micromarketing – Narrow Market Targeting

Micromarketing is a targeting strategy that focuses even more narrowly than niche marketing. It caters to the needs of individuals ("individual marketing") or very small segments in a targeted geography ("local marketing"). Micromarketing can be very powerful by giving consumers exactly what they want when they want it. However, to achieve large-scale success with this approach, companies must figure out how to meet highly individualized needs efficiently and profitably. It is of 2 types.

i. **Local marketing** is a targeting strategy focused expressly on a small, clearly defined neighborhood or geographic area. Organizations using this technique strive to generate a strong local presence, and targets may include any person or organization within that small area. Amazon's product recommendations and email marketing are forms of micro-marketing. By analyzing user behavior and purchase history, Amazon can suggest products and send personalized email campaigns to individual customers based on their preferences and browsing habits.

ii. **Individual marketing** is referred to as "mass customization" or "one-to-one marketing." With this approach, companies offer consumers a product created to their specifications. For example, Build-A-Bear Workshop invites children to create their custom stuffed animals. A child can select the type of animal, from teddy bear to unicorn, along with color, size, clothing, and other accessories.

DIFFERENTIATION & POSITIONING

Differentiation and Positioning are strongly related and depend on each other. Positioning, which is the process of arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target customers, depends on differentiation. Through differentiation, which is the process of actually differentiating the product to create superior customer value, we can achieve the desired position in customers' minds.

Firstly, we need a plan on what position we want to achieve with our product in the minds of our target customers. The position is the first thing a customer would think of hearing the name of the product or the brand. This position should be chosen so that it is distinguished from competing products to the greatest extent possible and leads to the greatest advantage in the target market. Therefore, the company should first identify possible customer value differences that provide competitive advantages so that the position can be built. Should the customer think of our product as the cheapest one, or the best one, or the nicest one? Or should the customer think it is the most sustainable and environmentally beneficial one? This must be determined before establishing the marketing strategy.

But only promising those values is not sufficient. If the company promises greater customer value to achieve a certain position in customers' minds, it needs to deliver that value. The marketing strategy means nothing without the means to carry it out. Therefore, positioning depends on differentiation, by which we differentiate our product from competing ones so that it gives consumers more value. After the company has chosen a desired position, it can take the steps necessary to deliver and communicate that position to target customers by differentiation. If the desired position is to be seen as the cheapest product in the market, the product should be differentiated by an exceptionally low price. If the desired position is to be thought of as the highest quality product in the market, the product should be differentiated by actually delivering that exceptional quality that competing products do not offer.

Positioning strategies:

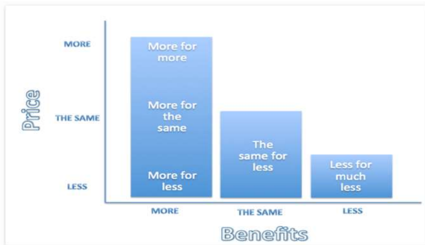

Figure: Positioning strategies
Source: Eledge (2023)

i. MORE-FOR-MORE

As you can see, there are five possible value propositions that a brand may select from. The first possible value proposition is the *more-for-more* proposition. A brand that selects this proposition will be able to justify a higher price by providing customers with a higher level of benefits in their brand or product.

Example-- Radisson Hotel, BMW cars -each claims superior quality, craftwork, durability, performance, or style and charges a high price to match.

ii. MORE-FOR-THE-SAME

The next proposition possibility is the *more-for-the-same* option, which offers consumers more benefits but charges them the same price. The *more-for-the-same* proposition is often used to boost a company's position above that of its competitor.

For example, Toyota introduced it Lexus line with a "more-for-the-same" value proposition versus Mercedes and BMW

a. MORE-FOR-LESS

The last proposition to provide more benefit to the consumer is the *more-for-less* proposition. This proposition is the most enticing for consumers, but hardest to achieve for companies because it does not promote sustainability. The ability to produce a product that provides the customer with more benefits but at a lower price sometimes leaves the company with a loss as the low prices cannot cover high costs.

For example, Dell Computer claims to have better products and lower prices for a given level of performance. Procter & Gamble claims that its laundry detergents provide the best cleaning and everyday low prices.

b. THE-SAME-FOR-LESS

The next value proposition is the *same-for-less* proposition, which offers the same quality of products but at a lower price than most of its competitors.

Discount stores such as Wal-Mart and "category killers" such as Best Buy, Circuit City, and Sport Mart use this positioning. They don't claim to offer different or better products.

c. LESS-FOR-MUCH-LESS

Last, but not least, is the *less-for-much-less* value proposition. Although this proposition offers the customers fewer benefits in their products, they are also incurring less costs and can therefore charge the customer lower prices. Lower prices will attract customers regardless of the product being sold.

Family Dollar and Dollar General Stores offer more affordable goods at very low prices.

The value proposition a company chooses to adopt is its customer base, image, and success. The value that a customer associates with a company is based on the quality of the products they sell and the quality of the services offered, in combination with the price.

Activity:

Select any popular brand you like from the food & beverage category. Study & identify that brand's segmentation, targeting & positioning strategies which they have been applying for a long time.

Discussion Questions:

a. Define segmentation. Describe different segmentation strategies with examples.
b. Why targeting is important? In how many ways target market can be reached? Explain with examples.
c. To achieve the desired position in customers' minds, different positioning strategies need to be applied. How many positioning strategies do you know about? Exemplify each.

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PRODUCTS, SERVICES, AND BRANDS: BUILDING CUSTOMER VALUE

8

Unit Highlights

- Lesson – 1: Levels, Types & Individual Product Decisions
- Lesson – 2: Services Marketing & Building Strong Brands

Technologies Used for Content Delivery

- BOUTUBE
- BOU LMS
- WebTV
- Web Radio
- Mobile Technology with MicroSD Card
- LP+ Office 365
- BTV Program
- Bangladesh Betar Program

Lesson-1: Levels, Types & Individual Product Decision

After completion of this lesson, you will be able to –

- *Understand the levels of a product.*
- *Learn the types of a product.*
- *Identify the issues involved in making individual decisions about a product.*

WHAT IS A PRODUCT?

A product is a bundle of attributes (features, functions, benefits, and uses) a person receives in exchange. In essence, "product" refers to anything a firm offers to provide customer satisfaction, tangible or intangible. Thus, a product may be an idea (recycling), a physical good (a pair of jeans), a service (banking), or any combination of the three.

Marketing, on the whole, can be divided into goods marketing and services marketing. Although according to Philip Kotler, besides goods and services, a marketer also markets eight other entities like Events, Experiences, Persons, Places, Properties, Organizations, Information, and Ideas; it is generally clubbed together and is widely known as goods and services. In marketing, services marketing essentially deals with intangible products. Services are created through a direct interaction between the service provider and the customers. Goods are physical, tangible articles, while Services are nonphysical and intangible and can also satisfy a need like goods. Financial services – Banking, Telecom, DTH, Courier, Hotel, Airline, Multiplex, Train, Doctors, Lawyers, Healthcare, and Management Consultancy are all examples of services.

With the advancement in the economy, a country moves from a goods-producing country to a service-oriented country. For example, USA, which is one of the most developed countries in the world, has a 21% – 79% mix of goods and services.

The spectrum of services ranges between the degree of intangibility and tangibility of the offerings delivered to the user. Some offerings are services like the enjoyment of movies, art exhibitions, or athletic events. Some of the service offerings also have a product component like the buying of contact lenses also require proper eye examination and evaluation of the vision parameters are the offerings of the service in the process.

LEVELS OF PRODUCT

Consumers often think that a product is simply the physical item that he or she buys. To actively explore the nature of a product further, let's consider it as three different products – the **core** product, the **actual** product, and finally the **augmented** product. This concept is known as the Three Levels of a Product.

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

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

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

PRODUCT CLASSIFICATIONS

There are ***two*** types of products basically – Consumer goods (which are being purchased for personal use) and industrial goods (which are being purchased for business activities)

➢ **Consumer goods**

i. Convenience goods

Convenience goods are products that consumers frequently purchase with little thought or effort. These items typically are low-cost and widely available, making them easy to buy on the go. Many businesses rely on convenience products for reliable sales and profits.
Example- Milk, Toothpaste, Soap, Laundry detergent, Pen, Snack foods, Water

ii. Shopping goods

Shopping products are items bought less frequently. They often are more durable and expensive than convenience goods and are geared toward a specific niche. Customers need to make pre-plan for buying shopping goods.
Example—clothing, shoes, appliances, furniture, etc.

iii. Special goods

The consumer perceives specialty goods as something different and unique from other products. Because they offer something no other product can, they are worth the consumer's premium price. Businesses need a strong brand identity to convince consumers that their specialty products are worth the price. This involves differentiating the product, creating a sense of exclusivity, and fostering brand loyalty.

Example- Designer clothes, luxury cars, high-end cosmetics, custom jewelry

iv. Unsought goods

Unsought products are goods that the consumer does not know about or does not think to buy. They are often expensive, risky, or complicated products. Because unsought goods are not top of mind for consumers, businesses must work harder to generate interest and awareness. They can do this through creative marketing efforts, personal selling, and other forms of advertising. Examples are funeral items, medical kits, life insurance, home security systems, etc.

➢ **Industrial products**

Industrial goods are used to create other products. They are used in manufacturing or in maintaining and repairing machinery and equipment.
Three groups of industrial goods are- raw materials, processed materials & capital goods.

Raw materials are goods that have yet to be processed and are used to make other products like wheat, natural gas, minerals, etc. They support a diverse range of industries, such as agriculture and textiles, and contribute to global economic growth. A **processed material** is something that has been refined in some way so it can be used in another product's manufacturing process like steel, plastics, refined sugar, glass, paper, etc. Since these materials have been through a manufacturing process, they tend to have a longer shelf life. **Capital goods** are anything that is needed for the production process, such as machines, major equipment, or tools. Raw materials and processed materials are needed to make capital goods. A computer, for instance, requires metals, glass, and plastic. Other examples are machinery, buildings, vehicles, software, etc.

PRODUCTS & SERVICE DECISIONS

Product and service decisions are key components of a company's marketing strategy. These decisions involve the selection of the right mix of products or services to offer to the target market, including the design, development, and packaging, branding, and pricing of the offerings.

➢ **<u>Individual Product Decisions</u>**

Individual product decisions required can be sorted into five categories or stages. Firstly, we look at product attributes. Branding and packaging follow. The individual product decisions are completed by labeling and product support services.

Figure: Individual product decisions

Source: eightception (2024)

i. Product attributes

Individual product decisions start by deciding on product attributes. This, in turn, means that the development of a product starts by defining the benefits it will offer to consumers. These benefits are communicated as well as delivered by the product attributes.

Thus, in stage one of the individual product decisions, we define the product attributes, such as quality, features, style, and design.

Product Quality	One element of the product attributes is the quality of the product. Although quality can be defined in many ways, we can define it as the characteristics of a product or service that determine its ability to satisfy the customer's needs. Therefore, the quality is one of the most important individual product decisions. It has a direct impact on the product’s (or service’s) performance. It is directly linked to customer value and satisfaction. So, we could say that quality is when the customer is satisfied and will come back, while the product does not (come back).
Product Feature	Another product attribute that is highly important for individual product decisions is that of the product features. We can offer a product with varying features. A low-level model, without any extras, or a high-level model, with a lot of features. Product features can be seen as a competitive tool for differentiation. By features, we can differentiate our product from competitors’ products.

Product Style and Design	Individual product decisions also include the product style and design. We can add customer value using a distinctive product style and design. While style describes the appearance of the product, design goes deeper. Good design does not only contribute to the product's look but also to its usefulness. To find the right product design, marketers should investigate how customers will use and benefit from the product.

Branding

Branding is one of the most crucial individual product decisions. Today, people do not buy a product – they buy a brand. A brand is a name, term, sign, symbol, design or a combination of these elements that identifies the products or services of one seller and differentiates them from those of competitors. To give an example, look at Coca-Cola. If you buy a bottle of coke, you do not only buy the pure beverage, you buy the brand. You buy it because you know and value the worldwide-known brand. For clothing, brands are even more important. Many people do not buy a sweatshirt because of its features – they buy it because there is a label on it showing the brand. They become part of the brand, show that they have this brand, that they can afford this brand, and so on. Thus, a brand is much more than only the product, it is the whole identity around the offerings of a seller.

Packaging

Going on with the individual product decisions, we land at the packaging. Packaging refers to the activities of designing and producing the wrapper or container for a product. The packaging of a product is a more important decision than you would expect it to be. Traditionally, the primary function of a package was to hold and protect the product. However, packaging is nowadays an important marketing tool, too. This is a result of increased competition and offer of products. Packaging must now perform many tasks, which include attracting attention, describing the product, and even making the sale.

Labelling

Labels perform several functions and are therefore one of the important individual product decisions. The most straightforward function is to identify the product or brand. But the label can also describe several things about the product: who made it, where and when was it made, the contents, how it is to be used, etc. Finally, the label can promote a brand. It supports the brand's positioning and may help to connect with customers. By a brand logo, the label can add personality to a brand and contribute to the brand identity.

Product support services

Individual product decisions also include product support services. Usually, the company's offer includes some form of customer service, or product support services. This can be a minor part of the product or a major part of the total offering.

Product line decisions

Product Line Decisions mean a company offers similar products to solve a range of similar problems that target customers have. To understand Product Line Decisions, we can look at smartphone manufacturers like Samsung and Apple. They are known to customers as smartphone makers but are more than that. Both Samsung and Apple provide chargers, wired earphones, wireless earphones, smartwatches, and more. This is where the concept of product line comes in. While a smartphone and wireless earphones (Apple air-pod and Samsung Buds) are not the same, the same type of customer uses them. Apple goes beyond providing desktop computers and software; they provide mobile apps, cloud storage, and video streaming services to hook an iPhone buyer with Apple.

A product line is a group of closely related products because they function similarly, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges.

For example; -- Toyota produces several lines of cars; Apple or Samsung provides smartphones and related hardware that smartphone users need.

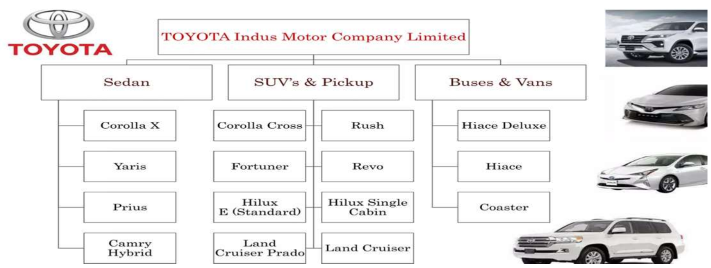


Figure: Product line of Toytal Motor Company Ltd.
Source: Slideshare (2024)

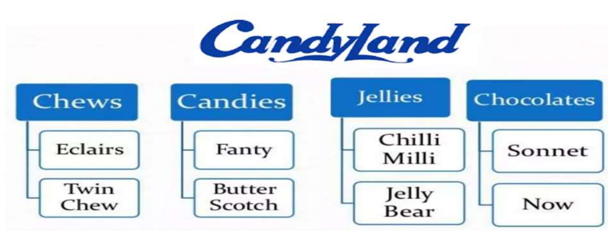
Line filling: Adding new items to an existing product line to ensure that there is no gap into which competitors can move.

Line stretching: Companies usually introduce new products into their existing product line.

Product mix decisions

The product mix is the combination of all the product lines and categories a company offers to its customers. It includes-

- **Product line length**: The number of products/brands that fall within a particular product category or line.



➢ **Product line width**: The number of parallel product lines offered by a brand or a firm.

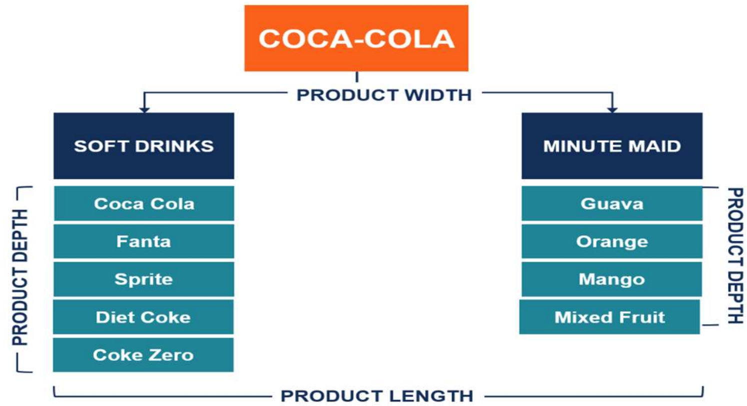


Figure: Product mix of Coca-Cola Ltd.
Source: corporate finance institute (2024)

Activity:
Visit the website of Unilever Bangladesh Ltd. Make a study on its all types of products & then draw its product line.

Lesson-2: Services Marketing & Building Strong Brands

After completion of this lesson, you will be able to –

- *Define service marketing*
- *Understand the nature of services*
- *Explain the service profit chain & service marketing triangle*
- *Recognize the techniques to be used to manage service differentiation, quality & productivity*
- *Identify the ways to build a strong brand*

SERVICES MARKETING

Service marketing encompasses all the activities and processes that promote and deliver intangible services to consumers. Unlike product marketing, where tangible objects are marketed, service marketing focuses on intangible aspects such as experiences, expertise, and customer interactions. Services can include various offerings, such as healthcare, hospitality, consulting, education, and various professional services.

NATURE OF SERVICES

The definition of service is "any intangible product, which is essentially a transaction and is transferred from the buyer to the seller in exchange for some consideration (or no consideration). Let us take a look at some of the characteristics of a service.

- Intangibility: A service is not a physical product that you can touch or see. A service can be experienced by the buyer or the receiver. Also, you cannot judge the quality of the service before consumption.
- Inconsistency: There can be no perfect standardization of services. Even if the service provider remains the same, the quality of the service may differ from time to time.
- Inseparability: One unique characteristic of services is that the service and the service provider cannot be separated. Unlike with goods/products, the manufacturing and the consumption of services cannot be separated by storage.
- Perishability: The production and consumption of services are not inseparable because storage of services is not possible. Being an intangible transaction there can never be an inventory of services.

THE SERVICE-PROFIT CHAIN

The **service-profit chain model**, created by a group of Harvard researchers in the 1990s, establishes relationships between profitability, employee satisfaction, loyalty, and productivity. The concept is reasonably simple: happy workers make happy customers who keep coming back and telling their friends. The service-profit chain establishes relationships between profitability, customer loyalty, employee satisfaction, loyalty, and productivity. The links in the chain (which should be regarded as propositions) are as follows: Profit and growth are stimulated primarily by customer loyalty. Loyalty is a direct result of customer satisfaction. Satisfaction is largely influenced by the value of services provided to customers. Value is created by satisfied, loyal, and productive employees. Employee satisfaction, in turn, results primarily from high-quality support services and policies that enable employees to deliver results to customers. (See the exhibit "The Links in the Service-Profit Chain.")

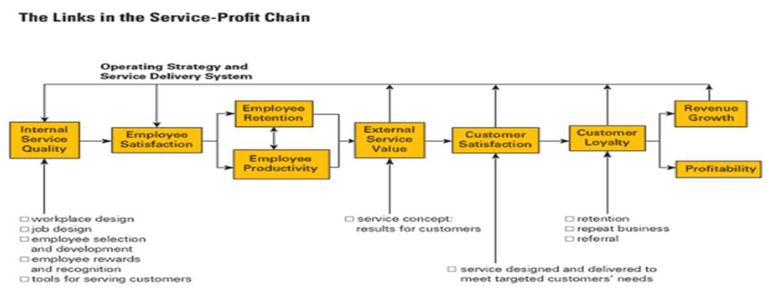


Figure: Service profit chain
Source: Harvard Business Review (2024)

THE SERVICE MARKETING TRIANGLE

The **Service Marketing Triangle** is a visual image of a model that speaks to the importance of people in a company's ability to keep its service promises. It might help to imagine the Service Marketing Triangle as a three-legged stool. Take out one of the legs, and the stool won't stand for long. That's the premise and the importance of the Service Marketing Triangle—all three aspects must be achieved or exceeded for the customer to be delighted.

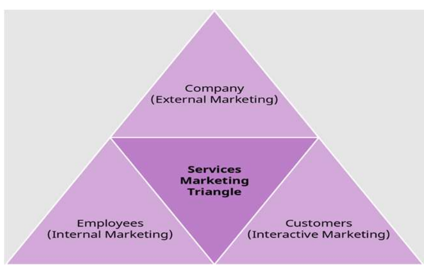


Figure: Service marketing triangle

Source: The Services Marketing Triangle (attribution: Copyright Rice University, OpenStax, under CC BY 4.0 license)

i. External Service Marketing—Making Promises

External service marketing refers to the promotion of an organization's services in an external environment where the company promotes its services to customers through various traditional techniques like pricing, advertising, direct marketing, public relations, and personal selling. These marketing techniques are intended to achieve multiple aims, such as creating and increasing awareness, setting price expectations, and setting expectations for the level of service to be delivered.

ii. Internal Service Marketing—Enabling Promises

In a service business, employees are seen as "internal customers." As you've seen from the discussion on the service-profit chain model, if a company wants to better serve its customers, it has to start with satisfying its employees so that they're committed to delivering the best service possible to external customers. That's the essence of internal service marketing.

Internal service marketing is the process of motivating employees to deliver customer value and ensure customer satisfaction by acting as a team. While that is true for frontline employees who interact with the customer, it is equally applied to all employees, including those behind-the-scenes employees who support the frontline employees. In other words, all employees of an organization need to be empowered so they can deliver great customer service.

Key components of internal service marketing include motivating employees, training them in customer satisfaction techniques, ongoing communication of company goals and objectives, and (of course) good pay and working conditions.

iii. Interactive Service Marketing—Keeping Promises

Interactive service marketing is the communication between the service provider and the customer, called a **service encounter**. The service encounter is where external marketing promises are either upheld, exceeded, or broken by employees.

Interactive service marketing is critical because it sets short-term and long-term customer satisfaction. In its simplest terms, when a customer is happy in the short term, they are more likely to be happy over the long term.

Let's review the elements of the Service Marketing Triangle with an example of a fine-dining restaurant in a major metropolitan area. The three "parties" involved in the Service Marketing Triangle are the owner of the restaurant, the restaurant employees, and the diners. As part of *internal marketing*, the owner may offer training to servers about the pairing of certain dishes on the menu with wines offered by the restaurant or hold a "huddle" at the beginning of each shift to train servers about daily specials and wine pairings. As part of *external marketing*, diners might be lured to the restaurant through the restaurant's Facebook page, which touts its extensive list of wines and the fact that servers are experienced in recommending wines to enhance the flavor of the menu items. Finally, as part of interactive marketing, servers are encouraged to give diners full descriptions of all menu items and daily specials and recommend which wines to pair with their food choices, leading to a more satisfying dining experience.

MANAGING SERVICE DIFFERENTIATION

Managing service differentiation is a marketing strategy employed by service firms to distinguish their services from those of competitors and create a competitive advantage. In the highly competitive service industry, where intangibility and similarity of services are common, service differentiation is crucial for attracting and retaining customers. This strategy involves focusing on the unique aspects of the service that set it apart, meeting or exceeding customer expectations, and emphasizing these differences in marketing efforts. Here are the key elements of managing service differentiation:

- **Identifying Unique Service Attributes:** Service firms must identify and understand the specific aspects of their services that make them different from competitors. This could be related to service quality, speed, convenience, personalization, or any other distinctive feature.
- **Market Research:** Conducting thorough market research helps service firms gain insights into customer needs and preferences. Understanding what customers value and desire allows firms to tailor their services to meet these expectations effectively.
- **Customization and Personalization:** Offering personalized services or customizing offerings to individual customer needs is a powerful way to differentiate. For instance, a bank providing tailored financial solutions or a hotel offering personalized room preferences.

MANAGING SERVICE QUALITY

Managing service quality is a crucial marketing strategy for service firms to build and maintain a strong reputation, enhance customer satisfaction, and ultimately achieve business success. Service quality refers to the level of excellence and consistency in the services offered by a company.

- **Differentiation:** In highly competitive service industries, delivering consistently high service quality sets a firm apart from its competitors. Service quality can be a powerful differentiator, helping a company stand out in the marketplace.
- **Customer Satisfaction and Loyalty:** Satisfied customers are more likely to become loyal, repeat customers. Managing service quality ensures that customers receive the value they expect, which, in turn, leads to higher levels of customer satisfaction and loyalty.
- **Positive Word-of-mouth:** Satisfied customers are more likely to share positive experiences with friends, family, and online communities. This word-of-mouth marketing can significantly impact a service firm's reputation and attract new customers.

MANAGING SERVICE PRODUCTIVITY

Managing service productivity is a critical marketing strategy for service firms to enhance their competitiveness and profitability while maintaining or improving service quality. This strategy involves optimizing the efficiency and effectiveness of service delivery processes to achieve the highest possible output with the available resources.

- **Cost Efficiency:** By streamlining processes, reducing waste, and maximizing resource utilization, service firms can lower their operational costs. This cost efficiency can be leveraged to offer competitive pricing, making the services more attractive to customers.
- **Quality Maintenance:** While improving productivity, service firms must ensure that service quality remains consistent or improves. Effective management of service productivity often includes the implementation of quality control measures and employee training.
- **Price-Performance Ratio:** Customers are often willing to pay more for a service if they perceive it to offer good value for money. Efficient service delivery allows firms to maintain competitive prices while offering a level of service quality that meets or exceeds customer expectations.

BUILDING STRONG BRANDS

A Brand is a name, term, sign, symbol, design, or even a combination of these, that identifies the maker or seller of the product or service. Customers view a brand as an important part of a product. Branding is considered one of the important functions of marketing, as under this function, the name by which the products/services should be marketed in the market is decided.

4 Steps to Build Strong Brands

Building strong brands generally involves Brand Positioning, Brand Name Selection, Brand Sponsorship, and Brand Development.

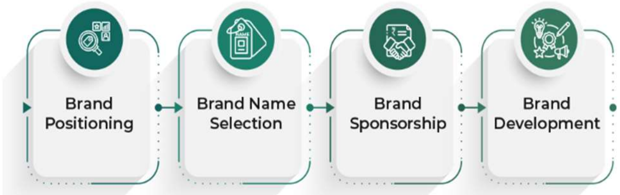


Figure: Ways to build a strong brand
Source: geeksforgeeks(2024)
Let's study them in detail.

Step 1: Brand Positioning – Attributes, Benefits, and Beliefs

Brand Positioning means placing the brand name in the minds of customers. Positioning refers to the act of designing the company's offering and image in such a way that it occupies a distinctive place in the minds of customers. The activity of positioning involves placing the product/service in the minds of the target customers and making the image of the product/service superior as compared to other similar products.

For example, Starbucks. Starbucks wanted to make itself 'The Third Home' between home and work so that people can come and relax whenever they are tired. They decided to target customers with medium and high-level income. Starbucks uses the following taglines to strengthen its positioning in the market: 100% Recycled Paper Use, The Finest Milk Use, The Best Coffee, Rich and Smooth Flavors, and Natural and Clean.

Further, a brand can position itself at three levels namely; Attributes, Benefits, and Beliefs.

- **Attributes:** A brand, at the lower level, can position itself through attributes. Attributes include the functioning of the core product. **For example,** P&G invented the Pampers with specific attributes like fluid absorption, fit, and disposability. However, positioning through attributes is not very effective, as the attributes can be copied by the competitors.
- **Benefits:** Benefits that are derived from the products also provide the basis for brand positioning. **For example,** Pampers associated itself with certain benefits like skin-health benefits from dryness.
- **Beliefs:** A brand can be best positioned when associated with some beliefs. The brands must pack an emotional wallop. **For example,** Pampers ensures better sleep as a result of full-night dryness thus leading to brain development.

Step 2: Brand Name Selection – Selection & Protection

A good brand name is very important for a brand's success. Brand name should be decided by the product, its benefits, target audience, and other marketing strategies. Desirable qualities for a brand name include various factors like,

- The product's benefits and qualities should be revealed by its brand name. **For example,** Fair and Handsome.
- It should be easy to pronounce. **For example,** Tide, Nirma, Touch, etc.
- The brand name should be distinctive. **For example,** Indica, Lexus, etc.
- The brand name should be extendable. **For example,** Amazon.com.

After choosing the proper brand name, it must be protected. Firms have a goal of connecting their product category with their brand name. Brand names such as Kleenex, Levi's, JELL-O, BAND-AID, etc., have succeeded in this way.

Step 3: Brand Sponsorship

Brand sponsorship is a form of advertising that involves the promotion of brands in exchange for some financial support. This type of arrangement is beneficial for both the parties, the manufacturer and the promoter. Brand sponsorships are considered one of the most effective ways of marketing. Brand sponsorship helps in boosting sales volume by promoting the brand to a larger audience. This activity complements the other marketing activities and works towards the betterment of relations with customers. The product may be sponsored as a national brand (or a manufacturer's brand), as when Sony and Kellogg sell their output under their brand names (Sony Bravia HDTV or Kellogg's Frosted Flakes). Or the manufacturer may sell their products to resellers to have a private brand for their product (also called a store brand or distributor brand).

Step 4: Brand Development

A company has four options when it comes to developing the brand. It can introduce new brands, multi-brands, brand extensions, and line extensions.

- **Line Extensions:** Line extensions occur when a company extends existing brand names to new forms, colors, sizes, ingredients, flavors, etc. **For example,** Bata (one of the oldest footwear brands in most countries) has expanded its footwear line to include regular shoes, premium shoes, sports shoes, sandals, and socks.
- **Brand Extensions:** Brand extensions involve the expansion of a current brand name to modified products, generally in a new category. **For example,** Nestle has leveraged the strength of its Maggi brand to launch several new lines including Maggi Noodles, Maggi Tomato Ketchup, and Maggi Soups.
- **Multi-brands:** Companies tend to introduce additional brands, in the same category only. **For example,** Hindustan Unilever markets different brands in their product categories.
- **New Brands:** A company might believe that the power of its existing brand name is declining and a new brand is needed. **For example,** Tata Motors created the separate Ace brand, targeted towards small transporters or those who have just started their business.

Activity:
Select a service firm you know about from the category -hospital. Discuss its service marketing triangle & different strategies.

Discussion Questions

a. Define the product & explain the levels & classifications of a product.
b. To create a product, on which issues and decisions should be taken?
c. Discuss benefits a company may avail for practicing the theory of 'service profit chain'.
d. As a marketing manager, how many ways should be followed to build a strong brand?
e. How does a service firm maintain its differentiation, quality & productivity?

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DEVELOPING NEW PRODUCT & MANAGING NEW PRODUCT LIFE CYCLE

9

Unit Highlights

- Lesson – 1: New Product Development Process & Product Life Cycle Stages

Technologies Used for Content Delivery

- BOUTUBE
- BOU LMS
- WebTV
- Web Radio
- Mobile Technology with MicroSD Card
- LP+ Office 365
- BTV Program
- Bangladesh Betar Program

Lesson-1: New Product Development Process & Product Life Cycle Stages

After completion of this lesson, you will be able to –

- *Learn new product development process*
- *Discuss the characteristics of a product in its 4 stages of the product life cycle (PLC)*
- *Understand marketing strategies of PLC stages*

NEW PRODUCT DEVELOPMENT STRATEGY

A new product development strategy is a plan that lays out how a company builds and launches new products or updates existing ones. Without a product development strategy in place, there is no clear path for a company to develop new products or new features.

With a plan in place, you can put an organized effort into motion — one that consistently rolls up to the company's overall business goals and takes into account factors such as market trends, customer needs, and competitor offerings.

NEW PRODUCT DEVELOPMENT PROCESS

While the product development cycle is hardly ever a linear process, it does tend to follow seven stages:

- **Idea generation**: The team comes up with new product ideas via market research on current trends and competition, focus group discussions with actual customers, and internal brainstorming from across the company.

Figure: The new product development process
Source: maze(2024)

- **Idea screening**: The team then prunes the initial list of ideas to be more realistic. At this stage, the product team screens ideas using criteria such as marketing potential, risks involved, the technical feasibility of the new product, and how it fits into the overall business strategy.
- **Concept development and testing**: The next stage is where the team turns ideas with the most potential into actual concepts by defining the product's target market, price, features, and benefits. After that, the team tests those concepts on potential customers to get feedback.
- **Business analysis and market strategy**: At this stage, a business analysis helps figure out possible profit, expected costs, and sales forecasts. Alongside this, you need to develop the market strategy to nail down how the company will promote, price, and position the new product.
- **Product development**: Here is where you actually build the product or new feature. Depending on the project management methodology used, this could involve developing a prototype or minimum viable product and doing continuous testing to get the product ready for launch.

- **Test marketing**: Once the team develops the product, it tests the product on a small market to get feedback from potential customers and identify any problems.
- **Product launch**: Here the company launches the final product to the full market — that process includes making it available for purchase, promoting it to the public, and providing support.

PRODUCT LIFE CYCLE

A product life cycle is the length of time from a product first being introduced to consumers until it is removed from the market. A product's life cycle is usually broken down into four stages; introduction, growth, maturity, and decline.

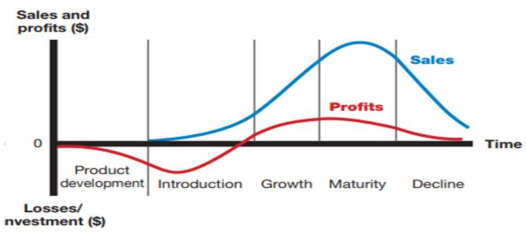

Figure: Product life cycle
Source: Twi-global(2024)

The various stages of a product's life cycle determine how it is marketed to consumers. Successfully introducing a product to the market should see a rise in demand and popularity, pushing older products from the market. As the new product becomes established, the marketing efforts lessen and the associated marketing and production costs drop. As the product moves from maturity to decline, demand wanes and the product can be removed from the market, possibly replacing a newer alternative.

Managing the four stages of the life cycle can help increase profitability and maximize returns, while a failure to do so could see a product fail to meet its potential and reduce its shelf life.

Stages

There are four stages of a product's life cycle, as follows:

1. Market Introduction and Development

This product life cycle stage involves developing a market strategy, usually through an investment in advertising and marketing to make consumers aware of the product and its benefits.

At this stage, sales tend to be slow as demand is created. This stage can take time to move through, depending on the complexity of the product, how new and innovative it is, how it suits customer needs and whether there is any competition in the marketplace. A new product development that is suited to customer needs is more likely to succeed, but there is plenty of evidence that products can fail at this point, meaning that stage two is never reached. For this reason, many companies prefer to follow in the footsteps of an innovative pioneer, improving an existing product and releasing their own version.

2. Market Growth

If a product successfully navigates through the market introduction it is ready to enter the growth stage of the life cycle. This should see growing demand promote an increase in production and the product becoming more widely available.

The steady growth of the market introduction and development stage now turns into a sharp upturn as the product takes off. At this point competitors may enter the market with their versions of your product – either direct copies or with some improvements. Branding becomes important to maintain your position in the marketplace as the consumer is given a choice to go elsewhere. Product pricing and availability in the marketplace become important factors to continue driving sales in the face of increasing competition. At this point the life cycle moves to stage three; market maturity.

3. Market Maturity

At this point, a product is established in the marketplace and so the cost of producing and marketing the existing product will decline. As the product life cycle reaches this mature stage there are the beginnings of market saturation. Many consumers will now have bought the product and competitors will be established, meaning that branding, price, and product differentiation become even more important to maintain a market share.

4. Market Decline

Eventually, as competition continues to rise, with other companies seeking to emulate your success with additional product features or lower prices, the life cycle will go into decline. Decline can also be caused by innovations that supersede your existing product, such as horse-drawn carriages going out of fashion as the automobile took over.

Many companies will begin to move onto different ventures as market saturation means there is no longer any profit to be gained. Of course, some companies will survive the decline and may continue to offer the product but production is likely to be on a smaller scale and prices and profit margins may become depressed. Consumers may also turn away from a product in favor of a new alternative, although this can be reversed in some instances with styles and fashions coming back into play to revive interest in an older product.

Marketing strategies of Product Life-Cycle Stages:

Strategies	Introduction	Growth	Maturity	Decline
Product	Offer a basic product	Offer product extensions, service, and warranty	Diversify brand and models	Phase out weak items
Price	Use cost-plus	Price to penetrate market	Price to match or beat competitors	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Advertising	Build product awareness among early adopters and dealers	Build awareness and interest in mass market	Stress brand differences and benefits	Reduce to level needs to retain hard-core loyals
Sales Promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level

Table: Marketing strategies in PLC stages
Source: Twi-global (2024)

Activity:

Think about a new product you want to start business with. Explain how you will follow the new product development process & which marketing strategies you would like to take in its' introduction stage.

Discussion Questions:

1. Explain the new product development process that company needs to follow.
2. Define Product life cycle. How many stages are involved in a product life cycle.
3. Discuss both the characteristics & marketing strategies of product life cycle stages using examples.

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PRICING: UNDERSTANDING AND CAPTURING CUSTOMER VALUE

10

Unit Highlights

- Lesson – 1: Pricing Strategies & Considerations
- Lesson – 2: Price Adjustment Strategies & Response to Price Change

Technologies Used for Content Delivery

- BOUTUBE
- BOU LMS
- WebTV
- Web Radio
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- LP+ Office 365
- BTV Program
- Bangladesh Betar Program

Lesson-1: Pricing Strategies & Considerations

After completion of this lesson, you will be able to –

- *Differentiate between the 3 most common pricing strategies.*
- *Learn factors affecting pricing decisions.*
- *Understand different product mix pricing strategies*

PRICE

Price is the amount that consumers will be willing to pay for a product. Marketers must link the price to the product's real and perceived value, while also considering supply costs, seasonal discounts, competitors' prices, and retail markup. In marketing, price is a major factor that may make or break a company. And that's why, price is called the only one 'P' which produces revenue for the company.

MAJOR PRICING STRATEGIES

Price setting is part of the marketing process and it requires in-depth market research. The right price can generate more sales while the wrong one can make potential customers look elsewhere. Let's have a look at the most common pricing strategies.

The three major and most common pricing strategies are:

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

1. Cost-based pricing Strategies

Cost-based pricing strategies use production costs as their basis for pricing and, to this base cost, a profit level must be added to come up with the product price. Cost-based pricing companies use their costs to find a price floor and a price ceiling. The floor and the ceiling are the minimum and maximum prices for a specific product or service – the price range.

The ideal thing to do would be to set a price between the floor and the ceiling. Many companies mass-producing goods such as textiles, food, and building materials use this pricing technique.

Pros:	*Cons:*
Calculations to determine price are simple.	Ignores how customer demand affects price.
During price setting, unknowns are taken into account.	It doesn't take into account actions by competition.
Pricing ensures total profits for the business.	Price setting cannot be solely based on costs.

Three types of costs considered for this approach are:

---- Fixed costs (overhead), Variable costs, Total costs.

- One common cost-based pricing method is cost-plus pricing.
- Cost-plus pricing involves adding a pre-set markup to the cost of producing a product (e.g. adding a 20% markup).
- Another approach to cost-based pricing is break-even pricing. This pricing method is based on finding the break-even point whereby the firm recovers all production and marketing costs.

2. Value-based pricing strategies

Value-based pricing, also known as customer-based pricing, is a pricing concept that is defined as follows: *The setting of a product's price based on the benefits it provides to consumers.* In other words, it is about finding the price that your customers are willing to pay.

Companies using value-based pricing consider the value of their product and their customer's perceptions of value as the key to pricing. They determine how much money or value their product will generate for the customer – a value that translates into benefits such as increased efficiency, happiness or stability. By using this type of pricing technique, you may aim at using price to support product image, increase product sales, and create product bundles to reduce inventory or to attract customers.

Pros:	*Cons:*
• The price set supports the product image.	Calculations may ignore product costs.
• The value-added helps increase product sales.	It might forget about existing competitors.
• Differentiation attracts new customers.	It requires great selling techniques.

3. Competition-based pricing strategies

Competition-based pricing, also known as competitive pricing, consists of setting the price of a product based on what the competition is charging. This pricing method is normally used by businesses selling similar products since services can vary from business to business, while the attributes of a product remain similar. In highly competitive markets, consumers judge products with similar features by the prices. Consequently, competitors may need to price their products lower or risk losing potential sales.

Companies need to keep their production costs in mind, as well as manage the time they spend monitoring competitors and the prices set by them. With the expansion of e-commerce and Big Data, this last monitoring factor can be seen as a downside if it is not carried out properly.

Pros:	*Cons:*
• It keeps an eye on existing and emerging rivals in the industry and provides smart data to make more effective pricing decisions.	• You risk losing profits if you do not take into account information on your purchase price and margins. You need to check on your price elasticity.
• Setting the right price according to market state helps gain competitiveness.	• It needs an effective price monitoring system. Automation is key in this respect to avoid manual tracking

Other internal & external considerations affecting price decisions

(A) Internal Factors:

1. Organizational Factors:

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

2. Marketing Mix:

Marketing experts view price as only one of the many important elements of the marketing mix. A shift in any one of the elements has an immediate effect on the other three—Production,

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

3. Product Differentiation:

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

4. Cost of the Product:

Cost and price of a product are closely related. The most important factor is the cost of production. In deciding to market a product, a firm may try to decide what prices are realistic, considering current demand and competition in the market. The product ultimately goes to the public and their capacity to pay will fix the cost, otherwise product would be flapped in the market.

5. Objectives of the Firm:

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

<u>(B) External Factors:</u>

1. The market and demand:

The market demand for a product or service obviously has a big impact on pricing. Since demand is affected by factors like the number and size of competitors, the prospective buyers, their capacity and willingness to pay, their preference, etc. are taken into account while fixing the price.
A firm can determine the expected price in a few test markets by trying different prices in different markets and comparing the results with a controlled market in which the price is not altered. If the demand for the product is inelastic, high prices may be fixed. On the other hand, if demand is elastic, the firm should not fix high prices, rather it should fix lower prices than that of the competitors. Market structures play a crucial role in determining how businesses operate and set their pricing strategies.

There are four market structures, each with its unique characteristics and pricing strategies - Perfect Competition, Monopoly, Oligopoly, and Monopolistic Competition

i. Perfect Competition:

- Characteristics: Many small firms, identical products, no barriers to entry or exit.
- Pricing Strategy: Price takers, set prices equal to marginal cost.
- Example: Agricultural markets where farmers sell identical products like wheat or rice.

ii. Monopoly:

- Characteristics: Single seller, no close substitutes, significant barriers to entry.
- Pricing Strategy: Price maker, set a price to maximize profits.
- Example: Microsoft's Windows operating system.

iii. Oligopoly:

- Characteristics: Few large firms, interdependent decisions, barriers to entry.
- Pricing Strategy: Strategic pricing, often engages in price competition or collusion.
- Example: The smartphone industry with Apple, Samsung, and Huawei.

iv. Monopolistic Competition:

- Characteristics: Many firms, differentiated products, limited barriers.
- Pricing Strategy: Product differentiation, set prices based on perceived value.
- Example: Fast-food chains like McDonald's and Burger King.

Understanding market structures is essential for businesses to devise effective pricing strategies. Companies must adapt their pricing approaches based on the market structure they operate.

*2. **Suppliers:***

Suppliers of raw materials and other goods can have a significant effect on the price of a product. If the price of cotton goes up, the increase is passed on by suppliers to manufacturers. Manufacturers, in turn, pass it on to consumers. Sometimes, however, when a manufacturer appears to be making large profits on a particular product, suppliers will attempt to make profits by charging more for their supplies. In other words, the price of a finished product is intimately linked up with the price of the raw materials. Scarcity or abundance of the raw materials also determines pricing.

3. Economic Conditions:

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

Several pricing decisions are available:

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

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

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

4. Buyers:

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

5. Government:

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

PRODUCT MIX PRICING STRATEGIES

For any marketing mix product, companies generally opt for any of the product mix pricing strategies, which are as follows:

- *Bundle pricing:* Multiple products are grouped for a discount. Telecom providers bundle TV, phone, and Internet services, while fast food restaurants bundle hamburgers, fries, and soda together.

- *Captive pricing:* This is when a base product requires specific accessories to work properly. An electric toothbrush or an inkjet printer may be inexpensive, but replacement brushes or print cartridges are sold with a high profit margin.
- *Line pricing:* Products are categorized into different product lines, usually based on quality. A single hotel room is at one price, a double room costs more, and an executive suite costs even more, disproportionate to the square footage or amenities offered.
- *Optional pricing:* A base product is sold at a relatively low profit margin, with add-ons offered with much higher options. A smartphone or tablet with a memory upgrade, for example, may cost a few hundred dollars more than the actual cost of the extra memory.
- *Byproduct pricing:* When producing a product creates by-products that can also be sold, rather than being discarded, you have byproduct pricing. Food producers, for example, often sell discards as animal feed. Another interesting example might be "donut holes," traditionally made from the punched-out centers of donuts.

Activity:

Recall the product idea you chose in the last chapter. On that idea, which pricing strategy do you think would be suitable to apply? Which factors do you think will affect your decision?

Lesson-2: Price Adjustment Strategies & Responses to Price Change

After completion of this lesson, you will be able to –

- *Understand price adjustment strategies.*
- *Know the situations on when to price cut & increase.*
- *Recognize the responses of buyers & competitors in price changes.*

PRICE ADJUSTMENT STRATEGIES

In the case of existing products, the following strategies can be used by a business to price its products:

1. Discount and Allowance Pricing:

Most businesses change their base price to give discounts to consumers who pay their bills early, buy in bulk, or shop off-season. Discounts are incentives given to customers, usually to get them to buy something from the business repeatedly. Allowances are the price reduction or discount given by a manufacturer to a member of the marketing channel in exchange for a special promotion of a specific product.

Discounts and allowances, often known as price adjustments, can take different forms:

- ***Quantity Discounts:*** This discount is offered to customers who buy multiple units, at a discounted rate. A reduction from the list price for the buyer's total purchases done during the specified time period is known as a cumulative quantity discount. A reduction in list price that applies to a single order, not to the total amount of orders placed over the course of a given period is known as a non-cumulative quantity discount.
- ***Cash Discounts:*** A cash discount is a price reduction given to buyers who pay their bills on time. For instance, the seller can subtract 5% from the bill if the payment which is due within 30 days, is paid within 15 days. A cash discount is a price decrease for buyers who purchase in large quantities. Such discounts encourage customers to purchase more from a single seller rather than from a number of different sellers.
- ***Functional Discounts:*** The seller provides a functional discount (also known as a trade discount) to trade-channel attendees who carry out certain tasks including selling, storage, and record keeping.
- ***Seasonal Discounts:*** A price reduction for customers who buy goods or services out of season is known as a seasonal discount. For instance, to encourage early buying ahead of the busy spring and summer selling seasons, air conditioner manufacturers provide seasonal discounts to stores during the winter. Seasonal discounts enable the manufacturer to maintain consistent output throughout the year.
- ***Promotional Allowance:*** It is an incentive given to a dealer for marketing the goods of the manufacturer. It serves as a pricing tool as well as a marketing tool. For instance, A manufacturer is required to cover half the cost of advertisements that retailers run for their products.

2. Segmented Pricing:

The basic prices of the companies are frequently adjusted to allow for variances in consumers, products, and locations. In segmented pricing, a business offers a product or service at two or more prices, even if the price variation is not based on cost differences. There are various types of segmented pricing.

- ***Customer-Segment Pricing:*** Different customers pay different prices for the same product or service when using customer-segment pricing. For instance, senior citizens pay half the regular ticket price on the railways, and Spotify charges less from students on its subscription.
- ***Product-Form Pricing:*** It refers to how different product variants are priced differently, which is not based on their respective cost differences. For instance, different colors of smartphones are priced differently according to differences in demand, not cost.
- ***Location Pricing:*** A business uses location pricing to set different prices for various locations, even when the cost of providing each location is the same. For instance, different prices are charged for tickets in a movie show which are based on the preferences of customers for different locations.
- ***Time pricing:*** A company adjusts its prices according to the time of year, the month, the day, and even the hour. Some public utilities have different rates for business customers depending on the day of the week and the weekend. For instance, A Water Park charges ₹1500 from a customer on weekdays, but it charges ₹1800 from a customer on weekends. This is called time-based pricing.

3. Psychological Pricing:

The purpose of psychological pricing is to create a special appeal for consumers. When customers can determine the quality of a product by investigating it or drawing on previous experience, they use price less to judge quality. Price plays a key role in indicating quality when customers are unable to assess it because they lack the knowledge or expertise. Reference pricing, which refers to the costs that consumers hold in their minds and use while considering a particular product, is another component of psychological pricing. The reference price can be determined by recording current prices, recalling prior prices, or appraising the purchasing situation. When determining pricing, sellers can have an impact on or use the reference prices of these customers. The different types of psychological pricing are as follows:

- Pricing that ends in either an odd or even number is known as odd/even pricing.
- Reference Pricing refers to the idea of what a product's price should be based on the frame of reference of the consumer.
- Prestige Pricing refers to selling products at a premium in order to establish a reputation for quality.

4. Promotional Pricing:

Companies use promotional pricing to temporarily reduce the list price of their products, sometimes even below the cost, in an effort to increase consumer demand and a sense of urgency. There are various variations of promotional pricing. Several products are sold at a loss at supermarkets and department stores to draw customers in with the intention that they will purchase other items at regular markups. Under this strategy, a business uses the following price strategies to encourage early purchases:

- ***Complementary Pricing:*** A company that sells one or more of its goods to customers who have high transaction costs can adopt complementary pricing. Transaction costs include all costs incurred by a customer to purchase a product, such as the registration fees that a flat buyer must pay to become a legal owner or the processing fees that the bank may charge to provide the customer with a credit card.

- ***Loss Leader Strategy:*** This is a further example of the complimentary pricing strategy. According to this strategy, a well-known brand's price will be reduced to increase demand or traffic at the store. Supermarkets and department stores frequently reduce the prices of well-known brands to increase store traffic. For example, Vishal Mart offers customers products (from groceries to electronics) at a low price.
- ***Pricing for Special Events:*** During specific seasons, sellers set special prices to attract customers.
- ***Cash Refunds:*** Automobile manufacturers and other consumer goods manufacturers give cash refunds to encourage the purchase of their items within a certain time. Rebates allow sellers to clear inventories without lowering the stated list price.
- ***Low-interest Financing:*** The business could provide low-interest financing to customers rather than lowering prices. For instance, to attract customers, automakers have even introduced zero-interest financing.
- ***Warranties and Service Contracts:*** Businesses can increase sales by including a free or low-cost warranty or service contract.

5. Geographical Pricing Strategy:

This strategy aims to take advantage of economies of scale by pricing the product at a lower price than the competition in one market and using a penetration strategy in the other. The former is referred to as second-market discounting. It is a part of the differential pricing strategy, in which the company either dumps or sells below its cost in the market to make use of its current surplus capacity. Accordingly, a company may use a global pricing strategy where it charges a premium in one market, a penetration price in another, and a discounted price in a third. It includes:

- ***FOB-origin Pricing:*** In the FOB practice, goods are placed free onto a carrier at a specific location, which is why it's called FOB (Free on Board). The customer takes responsibility and ownership of the items and also pays the transportation costs from the factory to the destination. Those who support this pricing approach consider it a fair way to calculate freight expenses since each customer covers their costs. However, it can be costly for customers who are far away, which is a disadvantage.
- ***Uniform-delivered Pricing:*** This pricing method is the inverse of FOB pricing. Under this, regardless of the customer's location, a business charges the same amount for all customers plus freight fees. The freight fee is determined by the average freight rate. The benefits of uniform-delivered pricing include the fact that it is relatively simple to implement and allows businesses to advertise their prices nationally.
- ***Zone Pricing***: The zone price lies between the FOB-origin price and the uniform delivered price. Under this, a business creates multiple zones with a consistent price for all the customers in each zone. The farther the zone, the higher the cost. As an example, a paper product company could set up three different zones: the East, where all customers are charged ₹25,000 for goods; the Midwest, where ₹15.000 is charged; and the West, where ₹10,000 is charged.

6. Dynamic Pricing:

Dynamic pricing, also known as surge pricing, demand pricing, or time-based pricing, is a business tactic that adjusts prices based on fluctuations in demand. This approach can often benefit customers by aligning prices with market forces. However, marketers need to be cautious not to misuse dynamic pricing to take advantage of certain customer groups or harm valuable relationships with customers.

For instance, Indian railways may adapt seat rates based on seat type and the availability of seats. In certain situations, customers may need to obtain a ticket urgently, such as one or two days before the scheduled travel date. The ticket booked on these days is known as a 'tatkal ticket' and booking it may require an additional fee.

7. International Pricing:

Companies that sell their goods around the world have to figure out the prices to charge in the various markets where they operate. A business may in some cases set a uniform global price. However, the majority of businesses modify their prices according to cost factors and local market conditions.

The price that a business should charge in a particular country is determined by a variety of factors, including economic conditions, competitive situations, rules and regulations, and the growth of the wholesale and retailing system. Additionally, customer perspectives and preferences may differ from country to country, which requires different prices. Alternatively, the business can have different marketing objectives in various worldwide markets, which demand changes in its pricing strategy.

For instance, Samsung might launch a new product in a highly developed market to fast capture mass-market share; which necessitates using a penetration-pricing strategy. On the other hand, it might enter a market that is less developed by concentrating on smaller, less price-sensitive sectors using a market-skimming pricing strategy.

Initiating Price Changes

In some cases, the company may find it desirable to initiate either a price cut or a price increase. In both cases, it must anticipate possible buyer and competitor reactions.

i. Initiating Price Cuts

Several situations may lead a firm to consider cutting its price. One such circumstance is excess capacity. In this case, the firm needs more business and cannot get it through increased sales effort, product improvement, or other measures. It may drop its "follow-the-leader pricing"—charging about the same price as its leading competitor—and aggressively cutting prices to boost sales. But as the airline, construction equipment, fast-food, and other industries have learned in recent years, cutting prices in an industry loaded with excess capacity may lead to price wars as competitors try to hold on to market share.

Another situation leading to price changes is falling market share in the face of strong price competition. Either the company starts with lower costs than its competitors or it cuts prices in the hope of gaining market share that will further cut costs through larger volume.

ii. Initiating Price Increases

A successful price increase can greatly increase profits. For example, if the company's profit margin is 3 percent of sales, a 1 percent price increase will increase profits by 33 percent if sales volume is unaffected. A major factor in price increases is cost inflation. Rising costs squeeze profit margins and lead companies to pass cost increases on to the customers. Another factor leading to the price increases is excess demand: When a company cannot supply all its customers' needs, it can raise its prices, ration products to customers, or both. Companies can increase their prices in several ways to keep up with rising costs. Prices can be raised almost invisibly by dropping discounts and adding higher-priced units to the line. Or prices can be pushed up openly. In passing price increases on to customers, the company must avoid being perceived as a price gouger. Companies also need to think of who will bear the brunt of increased prices.

There are some techniques for avoiding this problem. One is to maintain a sense of fairness surrounding any price increase. Price increases should be supported by a company communication program telling customers why prices are being increased and why customers should be given advance notice so they can do forward buying or shop around. Making low-visibility price moves first is also a good technique: Eliminating discounts, increasing minimum order sizes, curtailing the production of low-margin products is an example. Contracts or bids for long-term projects should contain escalator clauses based on such factors as increases in recognized national price indexes. The company sales force should help business customers find ways to economize.

Wherever possible, the company should consider ways to meet higher costs or demand without raising prices. For example, it can consider more cost-effective ways to produce or distribute its products. It can shrink the product instead of raising the price, as candy bar manufacturers often do. It can substitute less expensive ingredients or remove certain product features, packaging, or services. Or it can "unbundle" its products and services, removing and separately pricing elements that were formerly part of the offer.

Buyer Reactions to Price Changes

Whether the price is raised or lowered, the action will affect buyers, competitors, distributors, and suppliers and may interest the government as well. Customers do not always interpret prices in a straightforward way. They may view a price cut in several ways. For example, what would you think if any company suddenly cuts its VCR prices in half? You might think that these VCRs are about to be replaced by newer models or that they have some fault and are not selling well. You might think that the company is abandoning the VCR business and may not stay in this business long enough to supply future parts. You might believe that quality has been reduced. Or you might think that the price will come down even further and that it will pay to wait and see. Similarly, a price increase, which would normally lower sales, may have some positive meanings for buyers. What would you think if the company mentioned above raised the price of its latest VCR model? On the one hand, you might think that the item is very "hot" and maybe unobtainable unless you buy it soon. Or you might think that the VCR is an unusually good value.

Competitor Reactions to Price Changes

A firm considering a price change has to worry about the reactions of its competitors as well as its customers. Competitors are most likely to react when the number of firms involved is small, when the product is uniform, and when the buyers are well informed.

How can the firm anticipate the likely reactions of its competitors? If the firm faces one large competitor, and if the competitor tends to react in a set way to price changes, that reaction can be easily anticipated. But if the competitor treats each price change as a fresh challenge and reacts according to its self-interest, the company will have to figure out just what makes up the competitor's self-interest at the time. The problem is complex because, like the customer, the competitor can interpret a company's price cut in many ways.

It might think the company is trying to grab a larger market share, that the company is doing poorly and trying to boost its sales, or that the company wants the whole industry to cut prices to increase total demand.

When there are several competitors, the company must guess each competitor's likely reaction. If all competitors behave alike, this amounts to analyzing only a typical competitor. In contrast, if the competitors do not behave alike—perhaps because of differences in size, market shares, or policies—then separate analyses are necessary. However, if some competitors will match the price change, there is good reason to expect that the rest will also match it.

Responding to Price Changes

Here we reverse the question and ask how a firm should respond to a price change by a competitor. The firm needs to consider several issues: Why did the competitor change the price?

Was it to take more market share, to use excess capacity, to meet changing cost conditions, or to lead an industry wide price change? Is the price change temporary or permanent? What will happen to the company's market share and profits, if it does not respond? Are other companies going to respond? What are the competitor's and other firms' responses to each possible reaction likely to be?

Besides these issues, the company must make a broader analysis. It has to consider its own product's stage in the life cycle, the product's importance in the company's product mix, the intentions and resources of the competitor, and the possible consumer reactions to price changes.

The company cannot always make an extended analysis of its alternatives at the time of a price change, however. The competitor may have spent much time preparing this decision, but the company may have to react within hours or days. The only way to cut down reaction time is to plan for both possible competitor's price changes and possible responses. There are several ways a company might assess and respond to a competitor's price cut. Once the company has determined that the competitor has cut its price and that this price reduction is likely to harm company sales and profits, it might simply decide to hold its current price and profit margin. The company might believe that it will not lose too much market share, or that it would lose too much profit if it reduced its price. It might decide that it should wait and respond when it has more information on the effects of the competitor's price change. For now, it might be willing to hold on to good customers, while giving up the poorer ones to the competitor. The argument against this holding strategy, however, is that the competitor may get stronger and more confident as its sales increase and that the company might wait too long to act. If the company decides that effective action can and should be taken, it might make any of four responses. First, it could reduce its price to match the competitor's price. It may decide that the market is price sensitive and that it would lose too much market share to the lower-priced competitor. Or it might worry that recapturing lost market share later would be too hard. Cutting the price will reduce the company's profits in the short run. Some companies might also reduce their product quality, services, and marketing communications to retain profit margins, but this will ultimately hurt long-run market share. The company should try to maintain its quality as it cuts prices.

Alternatively, the company might maintain its price but raise the perceived quality of its offer. It could improve its communications, stressing the relative quality of its product over that of the lower-price competitor. The firm may find it cheaper to maintain price and spend money to improve its perceived value than to cut price and operate at a lower margin. Or, the company might improve quality and increase price, moving its brand into a higher-price position. The higher quality justifies the higher price, which in turn preserves the company's higher margins. Or the company can hold price on the current product and introduce a new brand at a higher-price position.

Finally, the company might launch a low-price "fighting brand." Often, one of the best responses is to add lower-price items to the line or to create a separate lower-price brand. This is necessary if the particular market segment being lost is price-sensitive and will not respond to arguments of higher quality.

Discussion Questions

2. Compare the most common pricing strategies using examples.
3. Which internal & external factors affect pricing decisions? Give examples.
4. Explain the characteristics & pricing strategies of four market structures.
5. How many product mix pricing strategies are available? Define and exemplify each of them.
6. How many price adjustment strategies should a marketer know about? Discuss.
7. In which situations marketers can cut the price & increase the price?

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MARKETING CHANNELS: DELIVERING CUSTOMER VALUE

11

Unit Highlights

- Lesson – 1: Importance, Behavior & Design of a Marketing Channel

Technologies Used for Content Delivery

- BOUTUBE
- BOU LMS
- WebTV
- Web Radio
- Mobile Technology with MicroSD Card
- LP+ Office 365
- BTV Program
- Bangladesh Betar Program

Lesson-1: Importance, Levels, Behavior & Design of a Marketing Channel

After completion of this lesson, you will be able to –

- *Compare marketing channel & value delivery network*
- *Understand the importance & types of a marketing channel*
- *Identify the types of channel conflict.*
- *Explain the steps to design a marketing channel.*

SUPPLY CHAINS AND THE VALUE DELIVERY NETWORK

A company can't go it alone in creating customer value. It must work within a broader network of partners to accomplish this task. Individual companies and brands don't compete; their entire value delivery networks do. Producing a product or service and making it available to buyers requires building relationships not only with customers but also with key suppliers and resellers in the company's *supply chain*. This supply chain consists of upstream and downstream partners. Upstream from the company is the set of firms that supply the raw materials, components, parts, information, finances, and expertise needed to create a product or service. Marketers have traditionally focused on the "downstream" side of the supply chain—on the marketing channels (or distribution channels) that look forward toward the customer.

FedEx's creative and imposing distribution system made it a leader in the small-package delivery industry.

Figure: Example of FedEx's distribution system.
Source: laukamm(2006)

A value delivery network in marketing refers to the relationships and interactions between various entities involved in delivering value to customers. It includes coordinating and collaborating between suppliers, manufacturers, distributors, and customers to ensure the effective and efficient delivery of products or services. The concept of a value delivery network emphasizes the importance of understanding and meeting customer needs by providing high customer-delivered value. It involves considering factors such as price, time cost, product value, and service value to improve customer satisfaction. Additionally, value delivery networks can be optimized through methods such as auction-based protocols and mediation techniques to mitigate the effects of excessive competition and improve throughput. In the context of service businesses, value delivery networks play a crucial role in establishing strong competitive positioning and developing e-supply chain systems.

THE NATURE & IMPORTANCE OF A MARKETING CHANNEL

Today marketing channels, which include wholesalers, retailers, distributors, and digital marketing platforms, are a fundamental element of business operations, helping you forge a real connection with your end-user. These channels not only facilitate the physical flow of goods but also represent the interests of buyers and sellers and aid in the transfer of ownership.

Thus, a marketing channel is important for a business because of the following reasons:
1. Reach More Customers: Marketing channels help to reach more customers within less time. If a company uses efficient online platforms where the traffic is more, it can reach more customers within less time.
2. Build a Healthy Relationship with Customers: Marketing channels build a healthy relationship between producers and consumers with the help of interaction related to products and services. This relationship helps to gain more trust from customers and increase the company's sales.
3. Product-related Information: Marketing channels provide use, importance, benefits, and strategies regarding products and services. This helps to encourage the customers to buy the product.
4. Customer Support: Marketing channels provide customer support for all consumers. This helps customers to interact through phones, emails, and social media and get their questions and problems solved as soon as possible.
5. On-time Delivery: Marketing channels help a company make sure that its products are delivered to the customers at the right time. It is important to provide the customers with their product on time because otherwise, the company has a high possibility of losing the customer.
6. Enough Stock: Proper marketing channels also help a company maintain enough products in stock itself. The company can easily store its products in warehouses and supply them according to the prevailing market demand.

NUMBER OF CHANNEL LEVELS

The channel level includes Direct Marketing Channels, where sales take place between producer and consumer, and Indirect Marketing Channels where producers take the help of retailers for the distribution of the product.

1. Direct Marketing Channel

Direct Marketing Channel is defined as a type of channel where the sales of products take place directly from producers to consumers. There is no involvement of any third party, such as retailers, for their distribution. For example, any online shopping website, such as Amazon sells its products directly from its shopping website to the customers. L.L. Bean sells clothing directly through mail catalogs, by telephone, and online; and a university sells education on its campus or through distance learning.

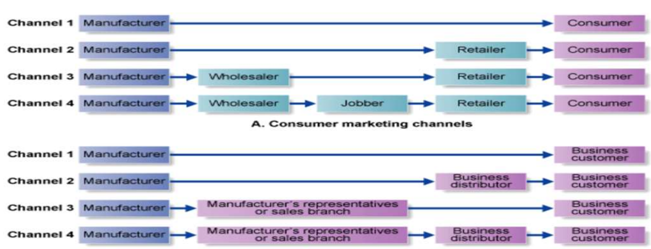

Figure: Types of marketing channel
Source: laukamm (2006)

2. Indirect Marketing Channel

An indirect Marketing Channel is defined as a type of channel where any third party, such as wholesalers, distribution agents, and retailers is involved in the distribution of products. The

manufacturer makes contact with such third parties located at different locations and then sells their products. For example, Amazon also uses indirect marketing channels. Customers can purchase goods from independent retailers through Amazon, and those companies/retailers will have to fulfill the deliveries on time.
Indirect Marketing Channel is further classified into three categories:

- *One-Level Channel:* A level channel is a channel where only one intermediary; i.e., the retailer is involved in the sales between the manufacturer and consumers.
- *Two-Level Channel:* A level channel is a channel where two intermediaries; wholesalers and retailers are involved in the sales.
- *Three-Level Channel:* Three-Level Channel is a channel where three intermediaries; distribution agents, wholesalers, and retailers are involved in sales.

CHANNEL BEHAVIOR & ORGANIZATION

Distribution channels are more than simple collections of firms tied together by various flows. They are complex behavioral systems in which people and companies interact to accomplish individual, company, and channel goals. Some channel systems consist only of informal interactions among loosely organized firms; others consist of formal interactions guided by strong organizational structures. Moreover, channel systems do not stand still—new types of intermediaries emerge and whole new channel systems evolve. Here we look at channel behavior and how members organize to do the work of the channel.

Channel behavior

A marketing channel consists of firms that have banded together for their common good. Each channel member depends on the others. For example, a Ford dealer depends on Ford to design cars that meet consumer needs. In turn, Ford depends on the dealer to attract consumers, persuade them to buy Ford cars, and service cars after the sale. The Ford dealer also depends on other dealers to provide good sales and service that will uphold the brand's reputation. The success of individual Ford dealers depends on how well the entire Ford marketing channel competes with the channels of other auto manufacturers.

Each channel member plays a specialized role in the channel. For example, Sony's role is to produce personal consumer electronics products that consumers will like and to create demand through national advertising. Best Buy's role is to display these Sony products in convenient locations, to answer buyers' questions, and to close sales. The channel will be most effective when each member is assigned the tasks it can do best.

Ideally, because the success of individual channel members depends on overall channel success, all channel firms should work together smoothly. They should understand and accept their roles, coordinate their activities, and cooperate to attain overall channel goals. However, individual channel members rarely take such a broad view. Cooperating to achieve overall channel goals sometimes means giving up individual company goals. Although channel members depend on one another, they often act alone in their own short-run best interests. They often disagree on who should do what and for what rewards. Such disagreements over goals, roles, and rewards generate channel conflict.

- ***Horizontal conflict*** occurs among firms at the same level of the channel. For instance, some Ford dealers in Chicago might complain the other dealers in the city steal sales from them by pricing too low or by selling outside their assigned territories. Holiday Inn franchisees might complain about other Holiday Inn operators overcharging guests or giving poor service, hurting the overall Holiday Inn image.

- ***Vertical conflict,*** conflicts between different levels of the same channel, is even more common. For example, H&R Block franchisees complained when the parent company began using the Internet to deal directly with customers. Similarly, McDonald's created conflict with some of its California dealers when it placed new stores in areas that took business from existing locations. Office furniture maker Herman Miller created conflict with its dealers when it opened an online store—www. history.com—and began selling its products directly to customers. Although Herman Miller believed that the Website was reaching only smaller customers who weren't being served by current channels, dealers complained loudly. As a result, the company closed down its online sales operations.

Some conflict in the channel takes the form of healthy competition. Such competition can be good for the channel—without it, the channel could become passive and no innovative. However severe or prolonged conflict can disrupt channel effectiveness and cause lasting harm to channel relationships. Companies should manage channel conflict to keep it from getting out of hand.

Here's an example:

P&G recently moved to manage channel conflict stemming from its change to multichannel distribution for Iams pet products. Traditionally, Iams had been distributed through specialized pet stores and veterinary offices. After studies showed that 70 percent of pet-food buyers never visit pet stores, P&G decided to add 25,000 grocery stores and mass retailers to its channel. To head off conflict with traditional channels, P&G's president wrote to the specialty stores and veterinarians, explaining that the new arrangements would increase brand awareness and not hurt brand equity. Although some pet stores stopped carrying Iams, most continued, helping Iams boost sales and market share for all of its dealers.

Vertical Marketing Systems

For the channel as a whole to perform well, each channel member's role must be specified and channel conflict must be managed. The channel will perform better if it includes a firm, agency, or mechanism that provides leadership and has the power to assign roles and manage conflict. Historically, *conventional distribution channels* have lacked such leadership and power, often resulting in damaging conflict and poor performance. Besides, biggest channel developments over the years has been the emergence of *vertical marketing systems* that provide channel leadership. A conventional distribution channel consists of one or more independent producers, wholesalers, and retailers. Each is a separate business seeking to maximize its profits, even at the expense of the system as a whole. No channel member has much control over the other members, and no formal means exists for assigning roles and resolving channel conflict. In contrast, a vertical marketing system (VMS) consists of producers, wholesalers, and retailers acting as a unified system. One channel member owns the others, has contracts with them, or wields so much power that they must all cooperate. The VMS can be dominated by the producer, wholesaler, or retailer.

We look now at three major types of VMSs: *corporate, contractual,* and *administered.* Each uses a different means for setting up leadership and power in the channel.

i. Corporate VMS

A corporate VMS integrates successive stages of production and distribution under single ownership. Coordination and conflict management are attained through regular organizational channels. For example, Sears obtains more than 50 percent of its goods from companies that it partly or wholly owns. Giant Food Stores operates an ice-making facility, a soft drink bottling operation, an ice cream plant, and a bakery that supplies Giant Stores with everything from bagels to birthday cakes. And little-known Italian eyewear maker Luxottica sells its many famous eyewear brands—including Giorgio, Armani, Yves Saint Laurent, and Ray-Ban—through the world's largest optical chain, Lens Crafters, which it also owns.

ii. Contractual VMS

A contractual VMS consists of independent firms at different levels of production and distribution who join together through contracts to obtain more economies or sales impact than each could achieve alone. Coordination and conflict management are attained through contractual agreements among channel members. The franchise organization is the most common type of contractual relationship—a channel member called a *franchiser* links several stages in the production-distribution process. An estimated 2,000 franchised U.S. companies with over 320,000 outlets account for some $1 trillion in annual sales. Industry analysts estimate that a new franchise outlet opens somewhere in the United States every eight minutes and that about one out of every 12 retail business establishments outlets is a franchised business.[7] Almost every kind of business has been franchised—from motels and fast-food restaurants to dental centers and dating services, from wedding consultants and maid services to funeral homes and fitness centers.

iii. Administered VMS

In an administered VMS, leadership is assumed not through common ownership or contractual ties but through the size and power of one or a few dominant channel members. Manufacturers of a top brand can obtain strong trade cooperation and support from resellers. For example, General Electric, Procter & Gamble, and Kraft can command unusual cooperation from resellers regarding displays, shelf space, promotions, and price policies. Large retailers such as Wal-Mart, Home Depot, and Barnes & Noble can exert a strong influence on the manufacturers that supply the products they sell.

Horizontal marketing systems

Another channel development is the horizontal marketing system, in which two or more companies at one level join together to follow a new marketing opportunity. By working together, companies can combine their financial, production, or marketing resources to accomplish more than any one company could alone. Companies might join forces with competitors or no competitors. They might work with each other on a temporary or permanent basis, or they may create a separate company. For example, the Lamar Savings Bank of Texas arranged to locate its savings offices and automated teller machines in Safeway stores. Lamar gained quicker market entry at a low cost, and Safeway was able to offer in-store banking convenience to its customers. Similarly, McDonald's now places "express" versions of its restaurants in Wal-Mart stores. McDonald's benefits from Wal-Mart's considerable store traffic, while Wal-Mart keeps hungry shoppers from having to go elsewhere to eat.

Multichannel distribution systems

In the past, many companies used a single channel to sell to a single market or market segment. Today, with the proliferation of customer segments and channel possibilities, more and more companies have adopted multichannel distribution systems—often called *hybrid marketing channels.* Such multichannel marketing occurs when a single firm sets up two or more marketing channels to reach one or more customer segments. The use of multichannel systems has increased greatly in recent years. Multichannel distribution systems offer many advantages to companies facing large and complex markets. With each new channel, the company expands its sales and market coverage and gains opportunities to tailor its products and services to the specific needs of diverse customer segments. However such multichannel channel systems are harder to control, and they generate conflict as more channels compete for customers and sales. For example, when IBM began selling directly to customers through catalogs, telemarketing, and its Web site, many of its retail dealers cried "unfair competition" and threatened to drop the IBM line or to give it less emphasis. Many outside salespeople felt that they were being undercut by the new "inside channels."

Changing channel organization

Changes in technology and the explosive growth of direct and online marketing are having a profound impact on the nature and design of marketing channels. One major trend is toward disintermediation—a big term with a clear message and important consequences. Disintermediation means that more and more, product and service producers are bypassing intermediaries and going directly to final buyers, or that radically new types of channel intermediaries are emerging to displace traditional ones. Thus, in many industries, traditional intermediaries are dropping by the wayside. For example, companies such as Dell Computer and American Airlines are selling directly to final buyers, eliminating retailers from their marketing channels. E-commerce is growing rapidly, taking business from traditional brick-and-mortar retailers. Consumers can buy Flowers from 1-800-Flowers.com; books, videos, CDs, toys, consumer electronics, and other goods from Amazon.com; and clothes from landsend.com or gap.com, all without ever visiting a store. Disintermediation presents problems and opportunities for both producers and intermediaries. To avoid being swept aside, traditional intermediaries must find new ways to add value to the supply chain. To remain competitive, product and service producers must develop new channel opportunities, such as the Internet and other direct channels. However, developing these new channels often brings them into direct competition with their established channels, resulting in conflict. To ease this problem, companies often look for ways to make going direct a plus for both the company and its channel partners. For example, to trim costs and add business, Hewlett-Packard opened three direct-sales Web sites—Shopping Village (for consumers), HP Commerce Center (for businesses buying from authorized resellers), and Electronic Solutions Now (for existing contract customers). However, to avoid conflicts with its established reseller channels, HP forwards all its Web orders to resellers, who complete the orders, ship the products, and get the commissions. In this way, H-P gains the advantages of direct selling but also boosts business for resellers.

CHANNEL DESIGN DECISIONS

There are four steps to Channel Design Decisions.

Step 1: Analyzing Consumer Needs

The first step in channel design decisions is to analyze the consumer needs and desires of the channel. This involves understanding customers' preferences, expectations, and behaviors regarding how they want to access and purchase products or services. It can be done by answering the following questions:

- Do the customers want to buy from a nearby location, or are they willing to go to a place away from their home to buy the product or service?
- Do they want to purchase the product or service online, in person, or by phone?
- Do they want specialized products or services or value breadth of assortment?
- Do the consumers want add-on services with the main product, such as delivery, installation, repair, etc., or are they ready to get these services from some other place?

No company can provide all the desired services to the consumers as the company and its channel members may not possess all the required skills for the same. Also, if a company provides higher service levels to the consumers, then it will increase the cost of the channel, ultimately increasing the prices for consumers. Therefore, the company needs to maintain a balance between consumer needs, feasibility and cost of meeting those needs, and customer price preference. Besides, through the success of discount retailing, it can be said that consumers will be ready to get lower services if they have to pay lower prices for the same.

Thus, by gaining insights into consumer needs, businesses can tailor their channel design to meet those requirements and deliver an enhanced customer experience.

Step 2: Setting Channel Objectives

After analyzing consumer needs, the next step is to establish clear channel objectives. It means that the company, in this step, will have to state its marketing channel objectives according to the targeted level of customer service. For this, a company has to first identify different segments of consumers who want different service levels, and then decide which segment they should serve along with the best channel for each of the selected segments. The basic motive of the company for each segment is to minimize the total channel cost of meeting the requirements of customer service.

Other factors that influence the channel objectives of a company include the company's nature, its products, marketing intermediaries, competitors, and the environment. For example, a company can decide between which marketing function to handle itself and which to give to the intermediaries through its size and financial situation. Besides, the companies selling perishable products may use more direct marketing so they can avoid delays and too much handling of the product.

Step 3: Identifying Major Alternatives

In this step, businesses need to identify major alternatives for their distribution channel. This involves considering the types of intermediaries, determining the number of marketing intermediaries, and defining the responsibilities of channel members.

a) Types of Intermediaries:

Different types of intermediaries can be considered based on the nature of the product, target market, and distribution strategy. Some common types of intermediaries include:

- Retailers: These can include brick-and-mortar stores, online retailers, department stores, supermarkets, or specialty shops.
- Wholesalers: Wholesalers purchase products in bulk from manufacturers and distribute them to retailers or other businesses.
- Distributors: Distributors act as intermediaries between manufacturers and retailers, specializing in specific industries or geographical areas.
- Agents/Brokers: Agents or brokers facilitate transactions between buyers and sellers without taking ownership of the products. They earn commissions or fees for their services.

A company has to identify the different types of channel members that are available for its channel work. Some companies use many channel members to provide their customers with their products. For example, earlier, Dell used to sell directly to its final consumers and businesses through internet marketing and its sophisticated phone. It also used to sell directly to large institutional, government, and corporate buyers through its direct sales force. But, to reach more consumers, and to match its competitors (such as Lenovo, and HP), the company, besides the older ways, now sells its product indirectly with the help of retailers like Croma, Big Bazaar, Wal-Mart, and E-Zone. Along with the retailers, it also sells through independent distributors, value-added resellers, and dealers who develop computer applications and systems based on the needs of small and medium-sized business customers.

b) Number of Marketing Intermediaries:

The decision regarding the number of marketing intermediaries depends on various factors, such as the complexity of the product, target market coverage, and distribution efficiency. Options to consider include:

- **Intensive Distribution:** It involves placing products in as many outlets as possible to maximize market coverage. The basic aim of this strategy is to make the products available where and when the consumers want. This approach suits low-cost or convenience products. For example, toothpaste, candy, chips, etc. Companies like Coca-Cola, Hindustan Unilever, Nestle, etc., use this way to distribute their products.
- **Exclusive Distribution:** It involves granting exclusive rights to a single intermediary or a limited number of intermediaries in a particular geographic area or market segment. This strategy is often employed for luxury or specialized products. For example, Rolex watches are sold by limited authorized dealers. This strategy helps a business in enhancing its brand image and allows it for higher markups.
- **Selective Distribution:** It involves selecting a limited number of intermediaries based on their ability to effectively reach specific market segments. This strategy is often used for products with unique characteristics or targeted customer segments. For example, Television, Refrigerator, Home Appliances, Furniture, etc. Companies like Whirlpool, Sony TV, and General Electric use this approach to sell their major appliances/products through selected large retailers and dealer networks.

c) Responsibilities of Channel Members:

Each channel member has specific roles and responsibilities within the distribution process. The producer and the intermediaries must agree on the terms and responsibilities of each of the channel members. They should agree with each other on the price policies, sale conditions, services to be performed by each party, and territorial rights. For this, the producer has to first prepare a list price and set a fair discount rate for the intermediaries. It is essential to define the territory of each channel member and be careful while placing new sellers. Also, it is important to carefully spell out the mutual duties and services (especially in the case of franchise and exclusive distribution channels).

Step 4: Evaluating the Major Alternatives

Once the major alternatives have been identified, businesses need to evaluate them based on factors, such as cost, efficiency, market reach, customer satisfaction, and compatibility with overall business objectives. This evaluation helps in selecting the most suitable channel design alternative. For better evaluation, it is essential to check each alternative against economic, control, and adaptive criteria.

- Economic Criteria: With the help of these criteria, a company can compare the likely sales, profitability, and cost of different alternatives.
- Control Criteria: If a company is using intermediaries for distributing its products to consumers, it generally means giving the intermediaries some control over the marketing of the product. Some intermediaries have more control over the marketing than others. Besides, keeping other things equal, a company always prefers to keep as much control as possible over itself.
- Adaptive Criteria: Even though the channels involve long-term commitments, a company tries to keep the channel as flexible as possible so that it can easily adapt to environmental changes.

Therefore, to be a better alternative, a channel with long-term commitments should be superior in terms of economic and control criteria.

Activity:
Research the distribution system for Coca-Cola at http://www.thecoca-cola company.com/ourcompany/the_cocacola_system.html. What type of distribution system it is following? How they are doing it?

Discussion Questions

1. What is a marketing channel? Explain the importance of using a channel.
2. Compare between horizontal, vertical & multichannel distribution systems using examples.
3. To decide the number of intermediaries for a company, which distribution theories a marketing manager should know?
4. How many channel conflicts may occur? And why? Explain.
5. Discuss the four steps to be considered for channel design decisions.

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COMMUNICATING CUSTOMER VALUE: INTEGRATED MARKETING STRATEGY

12

Unit Highlights

- Lesson – 1: Understanding Promotion Mix & IMC

Technologies Used for Content Delivery

- BOUTUBE
- BOU LMS
- WebTV
- Web Radio
- Mobile Technology with MicroSD Card
- LP+ Office 365
- BTV Program
- Bangladesh Betar Program

Lesson-1: Understanding Promotion Mix & IMC

After completion of this lesson, you will be able to –

- *Identify the components of a promotion mix.*
- *Understand the importance of using a promotional mix*
- *Recognize the similarities & differences between integrated marketing communication & promotion mix.*
- *Explain the steps needed to make effective marketing communication*

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.

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 web pages may negatively highlight the brand. If a company adequately solves these issues, people will reward them with positive word-of-mouth consideration.

Let's take Nike's promotion mix as an example and learn how they use each of the promotion mix components.

1. **Advertising.** In advertising campaigns, Nike aims to reach large target audiences. The brand invites celebrities who represent the image of an ideal consumer. Potential customers associate themselves with famous ones, and this motivates them to trust the brand and communicate with it.
2. **Personal selling.** Nike's selling takes place in their stores. Trained store personnel assist consumers, provide details on the company's products and stimulate visitors to buy their products. Besides, Nike's employees help customers find the right Nike product and promote the company through the use of personalized services.

3. **Sales promotion.** Usually, Nike's sales promotions include special discounts for a targeted audience. The brand motivates its customers with the savings they can have when they buy discounted products. After that, they create a demand to purchase more products using those bonuses, turning new customers into loyal clients.
4. **Public relations.** Nike developed a social responsibility strategy, in response to global ecological trends. Besides, Nike sponsors numerous sports events that build a better brand image in the eyes of their audience.
5. **Direct marketing.** Nike uses direct marketing to promote its products among sports organizations in universities, colleges, and schools. Marketers call this lead nurturing.

IMPORTANCE OF USING A PROMOTION 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.

INTEGRATED MARKETING COMMUNICATION

Integrated marketing communications (IMC) is the process of unifying a brand's messaging to make it consistent across all media that the brand uses to reach its target audience. It's a strategic approach that guides communication and tactics used across all marketing channels. There are four main reasons why IMC is important:

1. Need for consistency throughout the whole customer journey
2. IMC helps with brand-building
3. Properly using the right mix of marketing channels helps boost campaign effectiveness
4. IMC contributes to marketing channels by reinforcing each other

Similarities between IMC and Promotional Mix

- IMC and promotion mix are closely related to marketing concepts.
- Both concepts will help business organizations to interact with customers.
- Furthermore, the primary aim of both is to inform or remind the customer about the product or service and finally to make a purchase.
- Moreover, IMC involves coordinating the firm's promotional mix (communication elements – advertising, sales promotions, personal selling, public relations (PR) & direct/online marketing) to communicate a crystal clear, consistent brand message.

Difference between IMC and Promotional Mix

The key difference between IMC and promotional mix is that IMC refers to conveying a brand message to its targeted audience to lure customers for purchases whereas promotional mix refers to the integration of advertising, personal selling, sales promotion, public relations, and direct marketing to lure target audience for purchases. Further, IMC does not involve selling, whereas the promotion mix may involve selling through sales promotion. Moreover, effective selection of promotion methods is important in the promotional mix, whereas effective communication is important in IMC. Also, effective IMC will create long-lasting relationships with customers rather than a promotional mix. Besides, IMC is more concerned with delivering product or service awareness while promotion mix is more concerned with selling products or services using a valid mix.

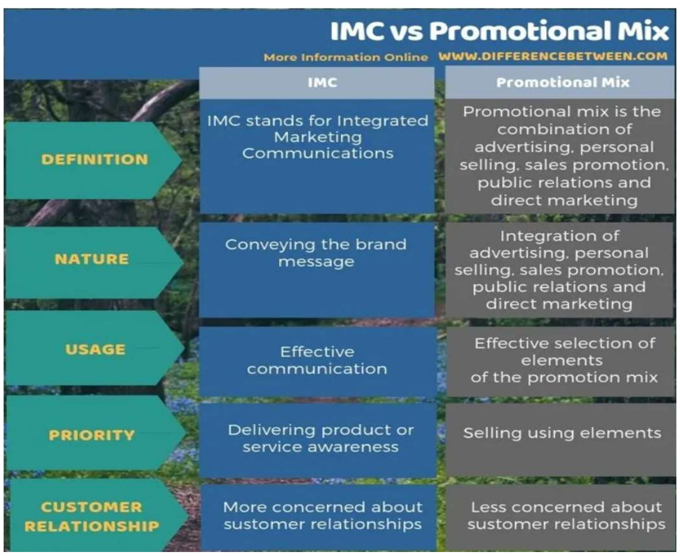

Figure: Difference between IMC & promotion mix
Source: Differencebetween (2024)

DEVELOPING EFFECTIVE MARKETING COMMUNICATION (STEPS)

1. Identify Target Audience

The process starts with a clear target audience in mind: potential buyers of the company's products, current users, deciders, or influencers, individuals, groups, particular public, or the general public. The target audience is a critical influence on the communicator's decisions on what to say, how to say it when to say it, where to say it, and to whom to say it. The organization should be able to conduct the image and audience analysis. A major part of audience analysis is assessing the current image of the company, its products, and its competitors. Image is the set of beliefs, ideas, and impressions a person holds regarding an object. People's attitudes and actions toward an object are highly conditioned by that object's image.

2. Determine Communication objectives

An important part of this stage of the promotional planning process is establishing communication goals and objectives. It is necessary to set both the communication and marketing objectives.

Marketing objectives refer to what is to be accomplished by the overall marketing program. They are often stated in terms of sales, market share, or profitability. Communication objective refers to what the firms seek to accomplish with its promotional program. Objectives are often stated in terms of the nature of the message to be communicated or what specific communication effects are to be achieved. Communication objectives may include creating awareness or knowledge about a product and its attributes or benefits; creating an image or developing favorable attitudes, preferences, or purchase intentions. Communication objectives should be the guiding force for the development of the overall marketing communications strategy and objectives for each promotional mix area.

3. Design the message

Having defined the desired response, the communicator moves to developing an effective message. Ideally, the message should gain attention, hold interest, arouse desire, and elicit action (AIDA). In practice, few messages take the consumer from awareness through purchase, but the AIDA framework suggests the desirable qualities of any communication. Formulating the message will require solving four problems: what to say (message content), how to say it logically (message structure), how to say it symbolically (message format), and who should say it (message source).

4. Message content

In determining message content, management searches for an appeal, theme, idea, or Unique Selling Proposition (USP). There are three types of appeals: rational, emotional, and moral. Rational appeals engage self-interest: Marketers claim the product will produce certain benefits. Examples are messages demonstrating quality, economy, value, or performance in Television and Radio adverts. It is widely believed that industrial buyers are most responsive to rational appeals. They are knowledgeable about the product, trained to recognize value, and accountable to others for their choices. Consumers, when they buy certain big-ticket items, also tend to gather information and estimate benefits.

5. Select channels

The organization needs to select the appropriate media to transfer the message to the audience. Developing the program is generally the most involved and detailed step of the promotional planning process. Each promotional mix element has certain advantages and limitations.

At this stage of the planning process, decisions have to be made regarding the role and importance of each element and their coordination with one another. Each promotional-mix element has its own set of objectives and a budget and strategy for meeting them. Decisions must be made and activities performed to implement the promotional program. Procedures must be developed for evaluating performance and making any necessary changes.

6. Establish a budget

After the communication objectives are determined, attention turns to the promotional budget. Two basic questions are asked at this point: What will the promotional program cost and how will the money be allocated? Ideally, the amount a firm needs to spend on promotion should be determined by what must be done to accomplish its communication objectives. In reality, promotional budgets are often determined using a more simplistic approach, such as how much money is available or a percentage of a company's or brand's sales revenue. At this stage, the budget is often tentative. It may not be finalized until specific promotional-mix strategies are developed.

7. Decide media mix

Decisions must be made regarding which types of media will be used (e.g. newspapers, magazines, radio, TV, billboard) as well as specific media selections (e.g. a particular magazine or TV program). The task requires careful evaluation of the media option's advantages and limitations, costs, and ability to deliver the message effectively to the target market. Once the message and media strategies have been determined, steps must be taken to implement them. Most large companies hire advertising agencies to plan and produce their message and to evaluate and purchase the media that will carry their ads. However, most agencies work very closely with their clients as they develop the ads and select media, because it is the advertiser that ultimately approves (and pays for) the creative word and media plan.

A similar process takes place for the other elements of the IMC program as objectives are set, an overall strategy is developed, message and media strategies are determined, and steps are taken to implement them. While the marketer's advertising agencies may be used to perform some of the other IMC functions, they may also hire other communication specialists such as direct-marketing and interactive and/or sales promotion agencies, as well as public relations firms

8. Measure result

The final stage of the promotional planning process is monitoring, evaluating, and controlling the promotional program. It is important to determine how well the promotional program is meeting communications objectives and helping the firm to accomplish its overall marketing goals and objectives. The promotional planner wants to know not only how well the promotional program is doing but also why. For example, problems with the advertising program may lie in the message or in a media plan that does not reach the target market effectively. The manager must know the reasons for the results to take the right steps to correct the program.

This final stage of the marketing communication process is designed to provide managers with continual feedback concerning the effectiveness of the promotional program, which in turn can be used as input into the planning process. Information on the results achieved by the promotional program is used in subsequent promotional planning and strategy development

9. Determine integrated marketing communications mix

Companies must consider several factors in developing their promotion mix: type of product market, consumer readiness to make a purchase, and stage in the product life cycle. Also important is the company's market rank. Market leaders derive more benefit from advertising than from sales promotion. Conversely, smaller competitors gain more by using sales promotion in their marketing communications mix.

Type of product market: Promotional allocations vary between consumer market and business markets and what is spent on sales promotion, advertising, personal selling, and public relations, in that order. Business marketers spend on personal selling, sales promotion, advertising, and public relations, in that order. In general, personal selling is used more with complex, expensive, and risky goods and in markets with fewer and larger sellers (hence, business markets). Although advertising is used less than sales calls in business markets, it still plays some important roles:-

- Advertising can provide an introduction to the company and its products
- If the product embodies new features, advertising can explain them

- Reminder advertising is more economical than sales calls
- Advertisements offering brochures and carrying the company's phone number are an effective way to generate leads for sales representatives
- Sales representatives can use tear sheets of the company's ads to legitimize their company and products.
- Advertising can remind customers of how to use the product and reassure them about their purchase.

SETTING THE TOTAL PROMOTION BUDGET

There are 4 common methods used to set the total budget for advertising:

1. Affordable Method

This is a method often used by small businesses, where companies set the promotion budget at a level that the management finds the company can afford. They start with total revenues, deducting away operating expenses and capital outlays, and then devoting a portion of the remaining funds to advertising. However, this method ignores the effects of promotion on sales and tends to result in uncertain annual promotion budgeting which makes long-term market planning difficult. Due to it more often than not being the last on the priority list, it also often means that the company under-spends on advertising even when it may be critical to the company.

2. Percentage-of-Sales Method

This is a simple method that links the relationship between promotion spending, selling price, and profit per unit. This is done by setting the promotion budget at a certain percentage of current or forecasted sales, or by budgeting a percentage of the unit sales price. However, this method can result in a wrong relationship mindset which results in such budgeting being based on the availability of funds and causes similar difficulty in long-term planning. This method also doesn't provide any basis for choosing a specific percentage, except what has been done in the past or what competitors are doing.

3. Competitive-Parity Method

Then some companies choose to set their promotion budget to match competitors' outlays. Usually, this is through monitoring competitors' advertising activities or getting industry estimates from publications or trade associations. Though this method may seem logical, there is no grounds to believe what your competitors do is good for you as each company is different and each will have its own unique promotion needs.

4. Objective-and-Task Method

This is the most logical budgeting setting method where the company develops the promotion budget by (1) defining specific promotion objectives, (2) determining the tasks needed to achieve these objectives and (3) estimating the costs of performing these tasks. Adding all 3 costs together will contribute to the promotion budget. Through thinking about the assumptions between dollars spent and promotions results, management will have to figure hard on what specific tasks will achieve the stated objectives and hence utilize the budget most effectively.

SOCIALLY RESPONSIBLE MARKETING COMMUNICATION

Marketing communications can be employed as a mechanism to establish a plausible corporate image that conveys a socially responsible depiction of an organization. The existence of a wide organizational stakeholders requires continuous liaison not only in terms of business-related communications and public relations contacts but also the image portrayed locally, nationally, and perhaps even globally.

Companies require generating revenues and profits to sustain in the competition and to achieve business excellence. At the same time, companies should be aware of and acknowledge the responsibilities of their target markets and society at large. Companies do socially responsible target marketing and marketing communications to communicate about their offerings to target markets. They adopt and communicate socially responsible advertising campaigns. Various issues in advertising campaigns include deceptive advertising and unethical practices in fashion advertising and in the cosmetics industry. Companies adopt marketing communications for social causes including socially responsible sales promotion and personal selling. Companies should respect consumer privacy and security and ensure consumer safety. Various stakeholders want to be assured that businesses care about their welfare and are working towards ensuring it. Businesses should also ensure the welfare of the society at large. This will allow them to achieve business excellence and stay ahead of the competition.

Activity:

1. You are applying for a job in an advertising agency. Write an ad about yourself, explaining your unique selling proposition and why they should hire you.
2. Watch television at three different times (late night, mid-day, and prime time). What types of commercials were shown at each time? Did you notice a difference in quality, products/services advertised, or creativity? Why do you think there was a variance?
3. What media do you think would be most (and least) effective for college students? Why?
4. Create a sales promotion you think will attract a lot of students to your favorite fast-food restaurant.

Discussion Questions

1. Write about the promotion mix tools that a company can use to promote its products.
2. Compare between integrated marketing communication & promotion mix concepts.
3. How to develop an effective marketing communication for a company? Discuss the steps.
4. Explain the budget-setting methods that a company should go through before deciding the budget.

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DIRECT AND ONLINE MARKETING

13

Unit Highlights

- Lesson – 1: Overview of Direct & Online Marketing

Technologies Used for Content Delivery

- BOUTUBE
- BOU LMS
- WebTV
- Web Radio
- Mobile Technology with MicroSD Card
- LP+ Office 365
- BTV Program
- Bangladesh Betar Program

Lesson-1: Overview of Direct & Online Marketing

After completion of this lesson, you will be able to –

- *Understand the concept of direct marketing & online marketing.*
- *Explain the importance of direct marketing methods for businesses.*
- *Know about different forms of direct marketing methods (both digital & traditional)*

DIRECT MARKETING

Direct marketing (DM) is exactly reaching out directly to customers through various marketing methods. Examples of direct & digital marketing include email and social media. These methods appeal to customers on a more personal level than mass marketing efforts.

Whereas mass marketing casts a wide net to catch as many prospects as possible, direct digital marketing is aimed at individual customers. As a result, it relies on an email address or a social media account rather than a TV set.

THE NEW DIRECT-MARKETING MODEL

Direct marketing consists of direct connections with carefully targeted individual consumers to both obtain an immediate response and cultivate lasting customer relationships.

- No intermediaries
- An element of the promotion mix
- Fastest-growing form of marketing

GROWTH & BENEFITS OF DIRECT MARKETING

Direct marketing is one of the best marketing strategies a business can use to increase sales. If you still have doubts about implementing it, here are twelve advantages you should know:

- **Measurable And Easy to Track**

One of the primary advantages of direct marketing is that it’s measurable and easy to track. By sharing vouchers or coupon codes, you can measure the boost in sales quickly, allowing you to measure your campaigns efficiently. Although it’s hard to measure physical mail drops, any noticeable increase in your sales over the campaigns can be attributed to direct marketing. Besides, the most crucial deliverable is whether or not there’s an overall return on investments for the campaigns.

- **Help in Delivering an Outstanding Customer Experience**

Effective direct marketing campaigns can increase conversion rates and boost customer experiences. This kind of promotion enables businesses to personalize their products or services for a particular audience. Keep in mind some customers purchase from businesses that make suggestions and note their preferences. For instance, if you’re running a sports gear store, providing helpful information for yoga enthusiasts, cyclists, and gym-goers can make a difference.

- **More Personalized Communication**

Another advantage of using direct marketing for your business is you can provide personalized communication to your customers. More often than not, a direct marketing campaign includes personalization elements. These allow them to resonate with a particular segment of your audience. This might mean that you only share a product range with your recipients. You may also talk to a specific demographic of followers in campaigns.

- **Make The Buying Process Easy**

What makes direct marketing beneficial is it allows customers to make purchases quickly and get optimum information whenever they want to. Text messages, emails, and some direct marketing channels may elicit different reactions from your existing and potential customers.
As physical objects, they differ from some marketing materials like emails while improving the interaction and vividness of product presentation. Some consumers also tend to keep such things for a few days. This may encourage sales and brand recognition. Moreover, catalogs may help find an inventory better, making your offers more accessible for potential buyers to purchase certain products.

- **Improve Customer Loyalty**

A direct marketing campaign is focused and will allow your customers to remember you with ease. A strong campaign may keep the products and brands in customers' minds. On the contrary, indirect campaigns that are out there trying to capture your audience's attention will never have the impact of direct marketing campaigns in which customers are directly impacted.

- **Increase Sales with Promotions**

One of the effective ways to grow your sales is by sending offers and deals linked to your customers' important events, like birthdays. Frequently doing this may impact the lifetime value you get from those customers.

- **Quick Turnaround**

Whether you opt for a direct mail campaign or an email marketing campaign, you can guarantee that you'll experience a quick turnaround time. Creating an email campaign online is easy and fast.
In addition, commercial printers provide a good turnaround time thanks to the advancement in print-on-demand technology. You can set winning campaigns within days and improve your conversion rates like never before.

- **Provide Specific Information**

Direct marketing means you can present targeted sales opportunities in a way that you can get your prospects to think about what you can provide them. You can provide them with the details they need to make a wise decision while they're at home or in their office.

- **Target Ideal Customers**

With direct marketing, you can quickly target particular groups of customers with tailored messages. However, make sure to spend time researching and identifying your potential customers who are more likely to purchase your offers. This way, you'll be able to focus your marketing efforts where they have the highest possible chance of achieving results. Having such well-targeted direct marketing campaigns will give you a better understanding of how your customers respond to your service and product offers.

- **Increase Marketing Reach**

Another excellent benefit of direct marketing is it helps reach new customers and generate more sales. Moreover, it also helps maintain your connection with your current customers while continuing to bring value to your business. Through using various types of direct marketing, such as direct mail, you'll end up in front of the people you've chosen to target your campaigns and tailor your message to that group.

- **Easy To Manage**

Direct marketing offers greater accountability and control than some marketing methods. It's easy to measure results since you know the exact number of individuals you've contacted in the first place. Once you run direct marketing campaigns and know the involved conversion rates, you can improve and refine your success rates. Moreover, it's much easier to forecast, plan, and budget for your future direct marketing campaign.

➢ **Cost-Effective**

The other advantage of direct marketing for your business is its affordability. Carrying out direct marketing can be cost-effective, especially if you're targeting local customers. So, if you have a small business that wants to grow your market share, there are some opportunities you can have to show how you can meet your potential client's needs with small investments. Using various digital printing services is a cost-effective way to create direct marketing materials for your business. It's cheaper, faster, and more efficient than the traditional methods. Plus, you can only order what you need for your needs.

With the advantages of direct marketing above, you might now be considering implementing it in your business. With this, you'll have an excellent method to develop long-lasting relationships with your customers and boost customer engagement by catering your message to your consumers' specific interests.

FORMS OF ONLINE DIRECT MARKETING

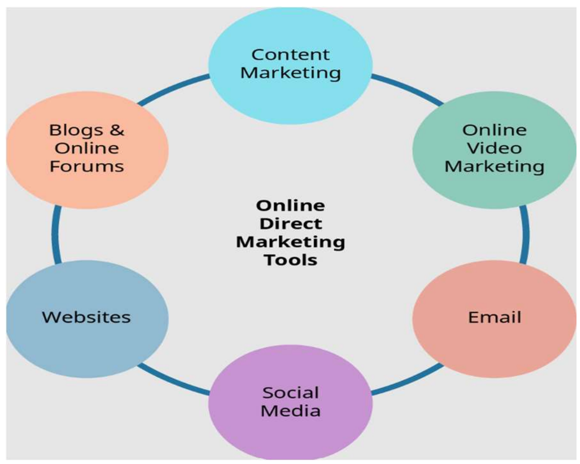

Figure: Online direct marketing tools
Source: Openstax (2024)

1. **Email Marketing:** Email marketing is a widely used digital marketing tactic that involves sending targeted messages directly to individuals' email inboxes. Companies can personalize their emails, segment their audience, and tailor their messages based on customer data and preferences. Email marketing allows for direct communication and can include calls to action, making it a form of direct marketing in the digital realm. Buzzfeed provides a great example of a company that optimizes email marketing to reach subscribers. According
2. **Personalized Online Ads:** With advancements in digital advertising technology, businesses can now deliver personalized ads to specific individuals based on their demographics, browsing behavior, or purchase history. These targeted ads can create a direct and personalized experience for the audience, similar to the way direct marketing messages are customized for individual recipients.
3. **Social Media Marketing:** Social media platforms provide an opportunity for businesses to directly engage with their audience through posts, comments, and direct messages. Companies can initiate conversations, respond to inquiries, and build

relationships with customers in real-time. This direct interaction and communication align with the principles of direct marketing.

4. **Online Video Marketing**: Online video marketing involves creating videos that tell a story about a product, company, or brand that is designed to drive consumer engagement through activities such as liking, sharing, and retweeting. Video marketing is becoming increasingly popular as a marketing tool because the cost of creating video campaigns has dropped significantly in the last decade due to technological advancements. Biteable, for example, offers marketers a cost-effective way to create brand videos that are quick, simple, and customizable.
5. **Content Marketing**: Websites, email, and other forms of online marketing are only as good as the content they carry. Content marketing involves creating and distributing content that is valuable and relevant to a company's target customers. New York-based Dotdash Meredith is a good example of this. The company's digital brands include Verywell, The Spruce, Byrdie, and others. Dotdash Meredith is a unit of Barry Diller's IAC. Company policy: no pop-up ads! As with other forms of direct marketing, content is about driving customers to take some desired action. Consumers would much rather consume a funny video clip, a highlight reel of their favorite athlete, and an inspiring quote or comment than see banner ads and pop-up ads. For content marketing to work, it must be useful, relevant, high quality, and engaging to the targeted audience.
6. **Blogs and Online Forums**: A blog is an online journal of interests, beliefs, or other topics published by a person, a group of people, or an organization. In its early stages, a blog was a personal journal that someone posted to the web. It's since evolved into an online marketing tool that is typically a website or a webpage and serves a variety of purposes. First, a blog's purpose can be to share valuable and relevant information with targeted audiences. Ultimately, the goal is to attract visitors to the page or site and convert them to customers. In addition, marketers create blog content on sometimes a weekly or even daily basis so that consumers continue to visit the site or the page to access the new content. When the blog content is good, visitors will continue to engage with the articles produced by the company. Ultimately, this helps a company's organic ranking on Google. In Google, your page or website will rank higher on the Google search results page as it grows in popularity and consumers click on it. Blogs are also a great way to create and nurture online communities, or groups of people with similar interests connecting online.
7. **SMS Marketing:** While traditionally associated with direct marketing, SMS (Short Message Service) marketing has evolved in the digital age. Businesses can send targeted and personalized text messages directly to customers' mobile devices, promoting products, offering exclusive deals, or sending important updates. This form of direct communication via digital channels falls under the umbrella of digital marketing.

It's important to note that the line between direct marketing and digital marketing can be blurred, and the effectiveness of each strategy depends on various factors. Ultimately, businesses should consider their target audience, goals, and available resources to determine the most suitable marketing mix, which may include elements of both direct and digital marketing.

FORMS OF TRADITIONAL DIRECT MARKETING

1. Direct-Mail Marketing

Direct mail arrives in people's homes every day and is typically delivered by the US Postal Service. When marketers use **direct-mail marketing**, they communicate promotional messages and offers directly to people's homes or places of business. Examples of direct-mail marketing include postcards featuring an offer, discount, or coupon code. Seasonal catalogs and glossy look books that present the latest fashions are additional examples.

Like all forms of direct marketing, direct mail is designed to call the consumer to take action, whether it's to visit a website, scan a QR code, or call a phone number. It also is highly targeted in that companies can send mail based on demographic characteristics such as age, income, zip code, and buying behavior.

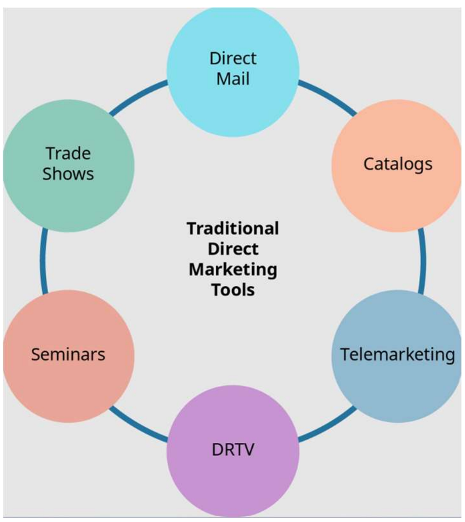

Figure: Traditional direct marketing tools
Source: Openstax (2024)

2. Catalog Marketing

Catalog marketing, also known as direct mail order, dates back to the 19th century and is one of the oldest forms of promotion. Catalogs typically include a variety of products that are often vividly displayed in a high-gloss magazine-like format.

Companies such as Lands' End and IKEA have long used catalogs to entice consumers to call the phone number or visit the website displayed on the catalog. The call to action is precisely what makes catalog marketing direct marketing. Consumers are presented with vivid product images and offers such as free delivery or 20 percent off if the consumer responds to the call to action. Unlike emails and advertisements, catalogs remain in consumer homes long after they arrive. Companies like Target and Amazon have used catalog marketing to connect with customers and present featured products across the seasons.

3. Telemarketing

Telemarketing is a form of direct marketing that involves a company representative placing or answering customer calls to guide a consumer toward making a purchase. During the calls, the representative or agent typically communicates offers to potential customers. Like other forms of direct marketing, the goal is to motivate the consumer to take some action, such as making a purchase or setting up a follow-up appointment.

Telemarketing can be outbound or inbound. With outbound telemarketing, a company representative contacts the prospective customer directly by phone. With inbound telemarketing, demand for the product or service is generated through other channels such as advertising, email, or direct mail. In response to messages delivered through these channels, the customer is motivated to contact the company directly regarding the product or service.

4. **Direct-Response TV (DRTV)**

Direct-response television marketing is a type of direct marketing that is designed to compel viewers to take some immediate action, such as calling a phone number or visiting a website presented during a television commercial. The commercials typically involve a persuasive demonstration of a product, after which consumers are provided with a toll-free number or a website to order. The television stations QVC and HSN are excellent examples of DRTV, selling everything from apparel to appliances.

5. **Seminars**

Seminars allow companies to share their expertise and knowledge related to a topic, issue, or industry. These can be done in person or virtually and are a great tactic for developing trust and building relationships with consumers. They have additional advantages that include building greater brand awareness and introducing new products or services, and they may ultimately lead to increased sales.

6. **Trade Shows**

Trade shows are exhibition events that provide companies the opportunity to present themselves and their products and services to industry peers. Trade shows are suited for the business-to-business (B2B) market and are sponsored and hosted by industry trade organizations. They are an excellent way for industry professionals to network and grow their businesses. They are also wildly popular. For example, one of the most popular trade shows, the Consumer Electronics Show, or CES, attracts thousands of companies that showcase their latest technology. This trade show serves as an intersection for industry professionals in the health, gaming, and automotive spaces, and participants include tech companies such as Google, Microsoft, and E3, among others.

ONLINE MARKETING

Online marketing, also known as digital marketing, is leveraging web-based channels to spread a message about a company's brand, products, or services to its potential customers. The methods and techniques used for online marketing include email campaigns, social media, advertising, search engine optimization (SEO), and more. Marketing aims to reach potential customers through the channels where they already spend their time reading, searching, shopping, and socializing online. In short, go where the customers are. There are also many benefits and challenges inherent to online marketing, which uses primarily digital mediums to attract, engage, and convert virtual visitors into actual customers.

Offline marketing is different from online marketing because it uses alternative mediums for running campaigns. With traditional offline marketing work historically using mediums like print, billboards, television, and radio advertisements, it can be difficult to convert those customers online as it involves switching mediums to something like a website.

Before online marketing channels emerged, the cost to market products or services was often prohibitively expensive, and difficult to measure. Think of TV ad campaigns, which are measured through consumer focus groups to determine levels of brand awareness. Today, anyone with a business can participate in online marketing and build customer acquisition campaigns at little to no cost. The best online marketing products and services also can experiment with and optimize your campaigns to fine-tune their efficiency and increase return on investment (ROI).

BENEFITS OF ONLINE MARKETING

- Online marketing allows businesses to reach a global audience, overcoming geographical barriers.
- Online marketing can often be more affordable than traditional marketing methods and offer a higher return on investment (ROI).
- Online marketing enables precise targeting based on demographics, interests, and behaviors, ensuring that marketing efforts are directed at the right audience.
- With various analytics tools, businesses can track the performance of their online marketing campaigns in real-time and adjust strategies as needed.
- Businesses can engage and interact with customers directly through social media, email, and other digital channels, fostering stronger relationships and customer loyalty.

Activity:

Get into a group of 4. Discuss or visit the web to find out a unique business idea to be applied in Bangladesh. To launch that business practically, which direct marketing methods you will be considering applying? How and why? Present your analysis in the class.

Discussion Questions

1. Explain the Digital forms of direct marketing using examples.
2. What are the traditional direct marketing methods a company can apply? Discuss.
3. Define the direct marketing method. What are the benefits a company can enjoy from using this method?
4. Differentiate between direct and online marketing using examples.

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