Unit II

Product positioning is an important element of a marketing plan. **Product positioning** is the process marketers use to determine how best to communicate their **products**' attributes to their target customers based on

1. Customer needs

2. Competitive pressures,

3. Available communication channels and carefully crafted key messages.

Positioning refers to the place that a brand occupies in the minds of the customers and how it is distinguished from the products of the competitors. Once a brand has achieved a strong **position**, it can becomes difficult to reposition it. **Positioning** is one of the most powerful marketing concepts.

Bases of Product positioning:

1. Positioning by Product Attributes and Benefits

   Associating a product with an attribute, a product feature or a consumer feature. Sometimes a product can be positioned in terms of two or more attributes simultaneously. The price/ quality attribute dimension is commonly used for positioning the products.

   Sometimes a product may be positioned on more than one product benefit. Marketers attempt to identify salient attributes (those that are important to consumers and are the basis for making a purchase decision).

   • Maruti Suzuki offers benefits of maximum fuel efficiency and safety over its competitors. This strategy helped it to get 60% of the Indian automobile market.
   • Colgate offers benefits of preventing cavity and fresh breath.
2. Positioning by user
   This deals with positioning a product keeping in mind a specific user or a class of users.
   Cosmetics brands like Revlon, L'Oreal or Lakme position themselves targeting fashion-conscious women.

3. **Positioning by product class:**

Some products need to make critical positioning decisions that involve product-class associations. For example, Nescafe Bru positioned itself as instant coffee.

4. **Positioning versus competition**

   The positioning can be made with an explicit or implicit frame of reference of one or more competitors. There are 2 reasons behind this:

a. The competitor may have a firm, well-defined image developed over many years and this image can be used as a bridge to help to communicate another image referenced to it. It is like when you give your address, you mention some well known landmarks like bank, office, school etc.

b. Sometimes it is not only important how good the consumers think about you, but also it is important that they believe you are better that a given competitor.

5. **Positioning by use/application**
   Another way to position is to consider the use or application. One good example is Itch Guard skin ointment (cream base) from Paras Pharmaceuticals, which has been positioned as an Over The Counter (OTC) medicine (i.e. the medicine that does not require prescription) to "relieve sweat itch due to intertrigo.

Product

A product is the item offered for sale. A product can be a service or an item. It can be physical or in virtual or cyber form. Every product is made at a cost and each is sold at a price. The price that can be charged depends on the market, the quality, the marketing and the segment that is targeted.

Each product has a useful life after which it needs replacement, and a life cycle after which it has to be re-invented.

<u>The main characteristics or essential features of a product are as follows:</u>

1. Tangible Attributes

The first and foremost important feature of a product is its tangibility.It means that it may be touched, seen and its physical presence felt, like, cycle, book, pencil, table etc.

2. Intangible Attributes

Alternatively, the product may be intangible in the form of service, such as banking, insurance or repairing services.

3. Exchange value

The third characteristics of a product are that it must have exchange value.

Every product, whether tangible or intangible, should have an exchange value and should be capable of being exchanged between the buyer and seller for a mutually agreed consideration.

4. Utility Benefits

Another important characteristic of a product is that it should have a utility like a bundle of potential utility or benefits.

5. Differential Features

Another important feature from the marketing point of view is that the product should have differential features, i.e., it can be differentiated from other products.

Different types of packaging and branding can help create the image of product differentiation in the consumer.

6. Consumer Satisfaction

Another feature from the marketing viewpoint is that the products should have the ability to deliver value satisfaction to consumers for whom they are intended.

7. Business Need Satisfaction

The last also equally important characteristics of a product is that in order to be a product, it should also have the attribute to satisfy a business need.The basic business need obviously is to earn a profit on the product sold. It must have the attribute of generating profit.

Importance Of Product

Product is the centre of all marketing activities, without a product, marketing cannot even be imaged. Good products are the key to market success.

1. Product is the Centre of all Marketing Activities

Product is the pivot and all the marketing activities cluster around it.Marketing activities such as advertising, sales promotion distribution, buying, selling etc. are all made possible only on account of the product.

In short, the product is the engine that pulls the marketing activities, programmes etc.

2. Starting Point of Marketing Planning

To the marketer, products are the building blocks of a marketing plan.

Marketing planning is done on the basis of the nature, quality and the demand of the product. Product policies decide other policies.

3. Product is the Key to Market Success

Product is the key to market success.

It is said, “If the first commandment in marketing is (i) knowing your customer (ii) the second is know the product.”

If the product is faulty, its market will have a very short life span and will ultimately fall.

4. Centre of Consumption and Satisfaction

From the consumers’ point of view, the product is the centre of their consumption and satisfaction.

It is the philosophy of the modern marketing concept.

Various policy decisions are taken by the marketing management so as to provide better consumption, benefits utilities and satisfaction to the consumers.

5. Importance from social Viewpoint

From a social viewpoint also, the product satisfies the needs of society.

On the one hand, product satisfies the need of consumers and on the other, it provides employment and standard of living to millions of people.

6. Corporate Need Satisfaction

The basic corporate need for profits is satisfied by-products.

It is the product through which a company exploits market opportunities and generates sales volume and revenue.

Adequate sales volume and revenue ensure corporate profitability essential for business survival and growth.

7. A Competitive Weapon

Product is the competitive weapon of very great potential.

Whenever competitive pressures develop in the market, consumer preference changes or otherwise there emerges a need for change in the components of the product.

For example, competitive advantage may be gained by changing the package, colour, size, quality, innovation or even trading terms.

Classification of Products –

Major Classification:

1. Consumer Products
2. Industrial Products

Products may be classified on the basis of users of the products, the type of consumers who use the product that is:

1. Consumer Products:

Consumer products are those products that are bought by the final customer for consumption.

i. Convenience Products:

Convenience Products are usually low priced, easily available products that customer buys frequently, without any planning or search effort and with minimum comparison and buying effort. Such products are made available to the customers through widespread distribution channels-through every retail outlets. This category includes fast moving consumer goods (FMCG) like soap, toothpaste, detergents, food items like rice, wheat flour, salt, sugar, milk and so on.

ii. Shopping Products:

Shopping products are high priced (compared to the convenience product), less frequently purchased consumer products and services. While buying such products or services, consumer spends much time and effort in gathering information about the product and purchases the product after a careful consideration of price, quality, features, style and suitability.
Such products are distributed through few selected distribution outlet. Examples include television, air conditioners, cars, furniture, hotel and airline services, tourism services.

iii. Speciality Products:

Speciality Products are high priced branded product and services with unique features and the customers are convinced that this product is superior to all other competing brands with regard to its features, quality and hence are willing to pay a high price for the product. These goods are not purchased frequently may be once or twice in lifetime and are distributed through one or few exclusive distribution outlets. The buyers do not compare speciality products.

iv. Unsought Products:

Unsought product is consumer products that the consumer either does not know about or knows about but does not normally think of buying. In such a situation the marketer undertakes aggressive advertising, personal selling and other marketing effort. The product remains unsought until the consumer becomes aware of them through advertising. The price of such product varies. Examples of unsought product are cemetery plots, blood donation to Red Cross, umbilical cord stem cell banking services.

2. Industrial Products:

Industrial Products are purchased by business firms for further processing or for use in conducting a business .The distinction between consumer product and industrial is based on the purpose for which the product is bought. Like a kitchen chimney purchased by a consumer is a consumer product but a kitchen chimney purchased by a hotel is an industrial product.

i. Material and parts – Material and parts include raw material like agricultural products, crude petroleum, iron ore, manufactured materials include iron, yarn, cement, wires and component parts include small motors, tires, and castings.

ii. Capital items – Capital items help in production or operation and include installations like factories, offices, fixed equipments like generators, computer systems, elevators and accessory equipments like tools office equipments.

iii. Supplies – Supplies include lubricants, coal, paper, pencils and repair maintenance like paint, nails brooms.

iv. Services – Services include maintenance and repair services like computer repair services, legal services, consultancy services, and advertising services.

What Is Product Mix?

Product mix, also known as product assortment, is the total number of product lines that a company offers to its customers. The product lines may range from one to many and the company may have many products under the same product line as well. All of these product lines when grouped together form the product mix of the company.

The product mix is a subset of the marketing mix and is an important part of the business model of a company. The product mix has the following dimensions:

Width

The width of the mix refers to the number of product lines the company has to offer.

Ex-Coca-Cola has product brands like Minute Maid, Sprite, Fanta, Thumbs up, etc. under its name. These constitute the *width of the product mix*

Length

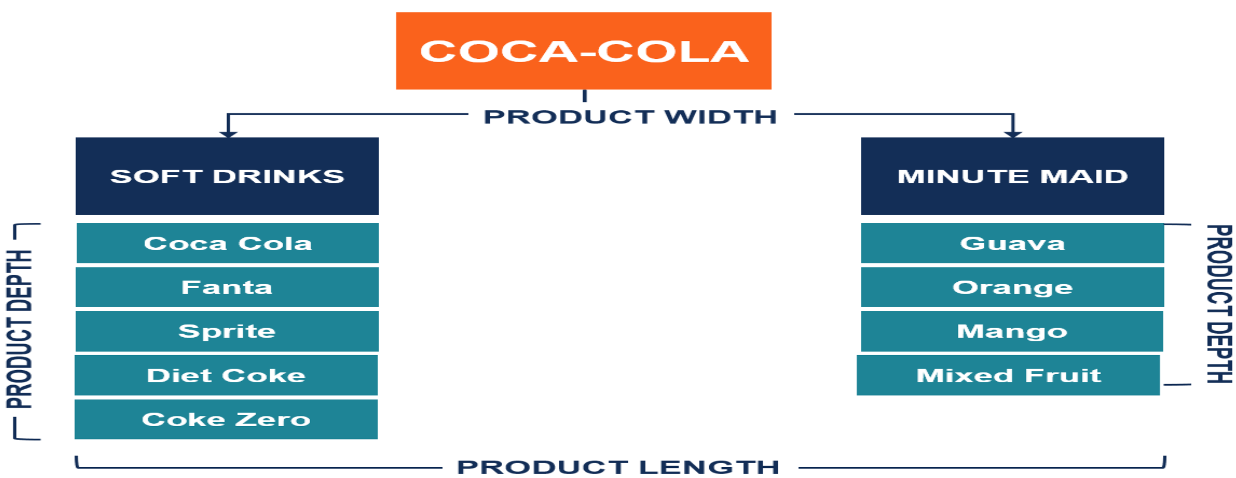
Length of the product mix refers to the total number of products in the mix. There are a total of 3500 products handled by the Coca-Cola brand. These constitute the *length*.

Depth

The depth of the product mix refers to the total number of products within a product line.Ex- Minute Maid juice has different variants like apple juice, mixed fruit, etc. They constitute the *depth of the product line*

Consistency

Product mix consistency refers to how closely products are linked to each other. Less the variation among products more is the consistency. ‘Minute Maid’. Coca-Cola deals majorly with drinking beverage products and hence has more *product mix consistency*.



Branding:

Branding is a process which involves creating a specific name, logo, and an image of a particular product, service or company. This is done to attract customers.

Features of Branding

1.Targetability

Branding should be planned according to the targeted audience. No business firm can target the entire population.

Business owners should identify the type of people who are buying their products and services. Research should be done on the basis of age, gender, income, the lifestyle of their customers, etc.

2.Awareness

The percentage of people who are aware of a brand is known as brand awareness. Well established companies have the benefit of a high level of brand awareness. Brand awareness can be increased with the help of advertisement on TV, radio, newspaper or social media marketing and advertising.

Logos also help companies build brand awareness, as people often recognize brands by these symbols or diagrams.

3.Loyalty

Brand loyalty is the highest achievement or apex of any company. A customer who buys the product of a particular company extensively is known as a brand loyalist.

Many consumers prefer using certain brands of clothing, deodorants or tubes of toothpaste, for example. They like how these brands benefit them. Brand loyalty can be build by staying in touch with the customers, asking them for their reviews.

4.Consistency

Consistency is necessary for a brand. A brand must remain consistent. Small businesses make numerous promises in commercials and ads about their brands, and consumers expect companies to continue living up to these promises. Their products should also be effective

Packaging

As we know first impressions go a very long way in how people perceive anything. This is the same idea that companies implement via their packaging. The outer appearance of the product (the package) is the first thing a potential customer will see, and so it can be a great marketing tool for the product.

Packaging as a Marketing Tool

Effective packaging can actually help a company attract consumers to their product. It can be the tool that sets apart their product in a vast sea of options that the consumer has at their disposal. A good packaging can actually add to the perceived value of a product.

In fact, the package of a product serves multiple practical purposes as well. Let us take a look at some of the **uses and functions** that it serves.

- *Protection*: The first and the most obvious use of packaging is protection. It physically protects the goods from damage that may be caused due to environmental factors. It is the protection against breaking, moisture, dust, temperature changes etc.

- *Information Transmission*: Packaging and labelling are essential tools to inform the customer about the product. They relay important information about directions for use, storage instructions, ingredients, warnings, helpline information and any government required warnings.
- *Convenience*: Goods have to be transported, distributed, stored and warehoused during their journey from production to consumption. Packaging will make the process of handling goods more convenient for all parties involved.
- *Security*: To ensure that there is no tampering with the goods packaging is crucial. The package of a product will secure the goods from any foreign elements or alterations. High-quality packages will reduce the risk of any pilferage.

Labelling:

Labelling is the display of label in a product. A label contains information about a product on its container, packaging, or the product itself.

It also has warnings in it. For e.g. in some products, it is written that the products contain traces of nuts and shouldn't be consumed by a person who's allergic to nuts.

1. Labelling is essential as it helps to grab the attention of a customer.
2. Labelling is also used to exaggerate the product. Also, it is used for identification. This kind of labeling helps a viewer to differentiate the product from the rest in the shelves of the market.
3. Labeling is another very important factor in a product. It should show the correct information about the product. This is all the more important in products such as pharmaceuticals. Labeling should also contain information relating to whether the product has harmful chemicals, especially if it is a product that is meant for children.

The main **difference between packaging** and **labelling** is: **Packaging** protects the product from external contamination. **Labelling** inform the consumer about the product. (Not to be written only for understanding)

Product support: It is a service provided by many vendors of various products, primarily electronics, that provides the end-user with a resource for information regarding the product, and help if the product should malfunction. Product-support information can be found in most manuals for products via a phone number, web site address, or physical location.

Product Life Cycle

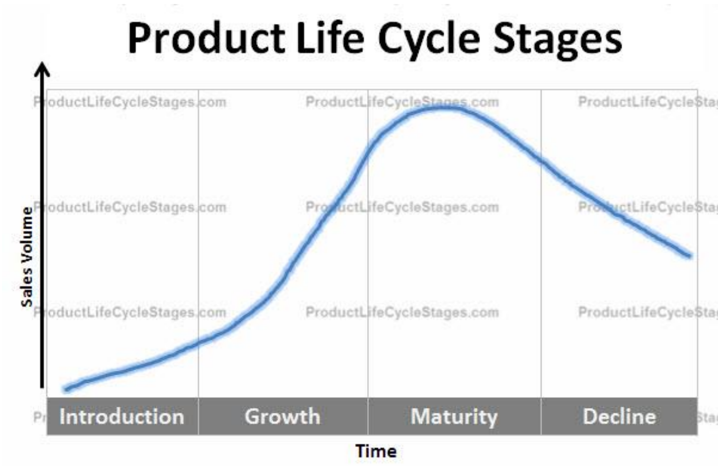
As consumers, we buy millions of products every year. And just like us, these products have a life cycle.

Older, long-established products eventually become less popular, while in contrast, the demand for new, more modern goods usually increases quite rapidly after they are launched.

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

Product Life Cycle Stages Explained

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



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

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

Maturity Stage – During the maturity stage, the product is established and the aim for the manufacturer is now to maintain the market share they have built up. This is probably the most competitive time for most products and businesses need to invest wisely in any marketing they undertake. They also need to consider any product modifications or improvements to the production process which might give them a competitive advantage.

Decline Stage – Eventually, the market for a product will start to shrink, and this is what's known as the decline stage. This shrinkage could be due to the market becoming saturated (i.e. all the customers who will buy the product have already purchased it), or because the consumers are switching to a different type of product. While this decline may be inevitable, it may still be possible for companies to make some profit by switching to less-expensive production methods and cheaper markets.

8 Steps of New Product Development

New Product development is a journey. Every product goes through a number of stages before being introduced in the market.

Idea Generation

The first stage of the New Product Development is the idea generation. Ideas come from everywhere, can be of any form, and can be numerous.

This stage involves creating a large pool of ideas from various sources, which include –

- **Internal sources** – many companies give incentives to their employees to come up with workable ideas.
- **SWOT analysis** – Company may review its strength, weakness, opportunities and threats and come up with a good feasible idea.
- **Market research** – Companies constantly reviews the changing needs, wants, and trends in the market.
- **Customers** – Sometimes reviews and feedbacks from the customers or even their ideas can help companies generate new product ideas.
- **Competition** – Competitors SWOT analysis can help the company generate ideas

Idea Screening

Ideas can be many, but good ideas are few. This second step of new product development involves finding those good and feasible ideas and discarding those which aren't. Many factors play a part here, these include –

- Company's strength,
- Company's weakness,
- Customer needs,
- Ongoing trends,
- Expected ROI,
- Affordability, etc.

Concept Development & Testing

The third step of the new product development includes concept development and testing. A concept is a detailed strategy or blueprint version of the idea. Basically, when an idea is developed in every aspect so as to make it presentable, it is called a concept.
All the ideas that pass the screening stage are turned into concepts for testing purpose. You wouldn't want to launch a product without its concept being tested.

The concept is now brought to the target market. Some selected customers from the target group are chosen to test the concept. Information is provided to them to help them visualize the product. It is followed by questions from both sides. Business tries to know what the customer feels about the concept. Does the product fulfil the customer's need or want? Will they buy it when it's actually launched?

Business Strategy Analysis & Development

The testing results help the business in coming up with the final concept to be developed into a product.

Now that the business has a finalized concept, it's time for it to analyse and decide the marketing, branding, and other business strategies that will be used. Estimated product profitability, marketing mix, and other product strategies are decided for the product.
Other important analytics includes

- Competition of the product

- Costs involved
- Pricing strategies
- Breakeven point, etc.

Product Development

Once all the strategies are approved, the product concept is transformed into an actual tangible product. This development stage of new product development results in building up of a prototype or a limited production model. All the branding and other strategies decided previously are tested and applied in this stage.

Test Marketing

Unlike concept testing, the prototype is introduced for research and feedback in the test marketing phase. Customer's feedback is taken and further changes, if required, are made to the product. This process is of utmost importance as it validates the whole concept and makes the company ready for the launch.

Commercialization

The product is ready, so should be the marketing strategies. The marketing mix is now put to use. The final decisions are to be made. Markets are decided for the product to launch in. This stage involves briefing different departments about the duties and targets. Every minor and major decision is made before the final introduction stage of the new product development.

UNIT 3

Price is the amount of money that your customers have to pay in exchange for your product or service.Pricing is the method of determining the value a producer will get in the exchange of goods and services. Simply, pricing method is used to set the price of producer's offerings relevant to both the producer and the customer.

Main factors affecting price determination of product are: 1. Product Cost 2. The Utility and Demand 3. Extent of Competition in the Market 4. Government and Legal Regulations 5. Pricing Objectives 6. Marketing Methods Used.

1. Product Cost:

The most important factor affecting the price of a product is its cost. Product cost refers to the total of fixed costs, variable costs and semi variable costs incurred during the production, distribution and selling of the product. Fixed costs are those costs which remain fixed at all the levels of production or sales.

For example, rent of building, salary, etc. Variable costs refer to the costs which are directly related to the levels of production or sales. For example, costs of raw material, labour costs etc. Semi variable costs are those which change with the level of activity but not in direct proportion. For example, fixed salary of Rs 12,000 + upto 6% graded commission on increase in volume of sales.

The price for a commodity is determined on the basis of the total cost. So sometimes, while entering a new market or launching a new product, business firm has to keep its price below the cost level but in the long rim, it is necessary for a firm to cover more than its total cost if it wants to survive amidst cut-throat competition.

2. The Utility and Demand:
Usually, consumers demand more units of a product when its price is low and vice versa. However, when the demand for a product is elastic, little variation in the price may result in large changes in quantity demanded. In case of inelastic demand, a change in the prices does not affect the demand significantly. Thus, a firm can charge higher profits in case of inelastic demand.

Moreover, the buyer is ready to pay up to that point where he perceives utility from product to be at least equal to price paid. Thus, both utility and demand for a product affect its price.

3. Extent of Competition in the Market:
The next important factor affecting the price for a product is the nature and degree of competition in the market. A firm can fix any price for its product if the degree of competition is low.

However, when the level of competition is very high, the price of a product is determined on the basis of price of competitors' products, their features and quality etc. For example, MRF Tyre company cannot fix the prices of its Tyres without considering the prices of Bridgestone Tyre Company, Goodyear Tyre company etc.

4. Government and Legal Regulations:
The firms which have monopoly in the market, usually charge high price for their products. In order to protect the interest of the public, the government intervenes and regulates the prices of the commodities for this purpose; it declares some products as essential products for example. Life saving drugs etc.

5. Pricing Objectives:
Another important factor, affecting the price of a product or service is the pricing objectives.

Following are the pricing objectives of any business:
(a) Profit Maximisation:
Usually the objective of any business is to maximise the profit. During short run, a firm can earn maximum profit by charging high price. However, during long run, a firm reduces price per unit to capture bigger share of the market and hence earn high profits through increased sales.

(b) Obtaining Market Share Leadership:

If the firm's objective is to obtain a big market share, it keeps the price per unit low so that there is an increase in sales.

(c) Surviving in a Competitive Market:

If a firm is not able to face the competition and is finding difficulties in surviving, it may resort to free offer, discount or may try to liquidate its stock even at BOP (Best Obtainable Price).

(d) Attaining Product Quality Leadership:

Generally, firm charges higher prices to cover high quality and high cost if it's backed by above objective.

6. Marketing Methods Used:

The various marketing methods such as distribution system, quality of salesmen, advertising, type of packaging, customer services, etc. also affect the price of a product. For example, a firm will charge high profit if it is using expensive material for packing its product.

Pricing Strategies:

Types of strategies of pricing a product:

Penetration Pricing.

The price charged for products and services is set artificially low in order to gain market share. Once this is achieved, the price is increased. This approach was used by France Telecom and Sky TV. These companies need to land grab large numbers of consumers to make it worth their while, so they offer free telephones or satellite dishes at discounted rates in order to get people to sign up for their services. Once there is a large number of subscribers prices gradually creep up.

Economy Pricing.

This is a no frills low price. The costs of marketing and promoting a product are kept to a minimum. Supermarkets often have economy brands for soups, spaghetti, etc. Budget airlines are famous for keeping their overheads as low as possible and then giving the consumer a relatively lower price to fill an aircraft. The first few seats are sold at a very cheap price (almost a promotional price) and the middle majority are economy seats, with the highest price being paid for the last few seats on a flight (which would be a premium pricing strategy).

Price Skimming.

Price skimming sees a company charge a higher price because it has a substantial competitive advantage. However, the advantage tends not to be sustainable. The high price attracts new competitors into the market, and the price inevitably falls due to increased supply.

Manufacturers of digital watches used a skimming approach in the 1970s. Once other manufacturers were tempted into the market and the watches were produced at a lower unit cost, other marketing strategies and pricing approaches are implemented. New products were developed and the market for watches gained a reputation for innovation.

Psychological Pricing.

This approach is used when the marketer wants the consumer to respond on an emotional, rather than rational basis.

Geographical Pricing.

Geographical pricing sees variations in price in different parts of the world. For example rarity value, or where shipping costs increase price. In some countries there is more tax on certain types of product which makes them more or less expensive, or legislation which limits how many products might be imported again raising price. Some countries tax inelastic goods such as alcohol or petrol in order to increase revenue, and it is noticeable when you do travel overseas that sometimes goods are much cheaper, or expensive of course.

Value Pricing.

This approach is used where external factors such as recession or increased competition force companies to provide value products and services to retain sales e.g. value meals at McDonalds and other fast-food restaurants. Value price means that you get great value for money i.e. the price that you pay makes you feel that you are getting a lot of product. In many ways it is similar to economy pricing.

Sales promotion:

It is the process of persuading a potential customer to buy the product. Sales promotion is designed to be used as a short-term tactic to boost sales .

According to Philip Kotler: “Those marketing activities other than personal selling, advertising, and publicity that stimulate consumer purchasing and dealer effectiveness, such as display, shows, demonstrations, expositions, and various other non-current selling efforts, not in ordinary routine.”

Special characteristics of sales promotion are listed below:

1. It is a part of market promotion. It involves all the promotional efforts other than advertising, personal selling, and publicity.

2. The primary purpose is to induce customer for immediate buying or dealer effectiveness or both.

3. It is optional. Many companies do not practice it.

4. It is directed for multiple objectives, like to maintain sales during off season, to increase sales, to face competition, to clear stocks, to improve image, to promote new products, etc.

5. It consists of offering, wide variety of tools/incentives.

6. Sales promotion efforts consist of special selling efforts for the specific time period in forms of short-term incentives and schemes undertaken at consumer level, dealer level or at salesmen level.

7. It involves the non-recurrent selling efforts. They are not a part of daily activities. They are not undertaken repeatedly.

8. Sales promotion incentives are imitative. Competitors can easily imitate them.

9. Sales promotion is expensive. It may affect adversity the profitability of company.

10. Excessive use of sale promotion may affect sales and reputation of company adversely.

Importance of Sales Promotion:

In recent years, the importance of sales promotion has increased. The amount spent on sales promotion now equals the amount spent on advertising. The sales promotion increase is due to the changes in the marketing environment. The importance of sales promotion increase is due to the thinking of new ideas for creating a favourable condition of selling, promoting sales and future expansion of sales.

It is a part of marketing strategy. It is essential for the survival of a manufacturer. For the birth of new product or new brand, sales promotion is very important. Advertising reaches the customers at their homes, or at the place of business or in their travels, whereas sales promotional devices inform, remind or stimulate the buyers at the point of purchase.

Hence it is the only device which is available to the consumers at the point of purchase. A good sales promotional programme will remove the consumer’s dissatisfaction with respect to retail selling. Sales promotion increases as a result of the growing use of self-service and other sales methods.

In India lakhs of rupees are now being spent on sales promotional activities. Now-a-days it becomes a necessity and it is not a luxury. All the marketing devices, by which demand for a product is stimulated and re-stimulated, are known as sales promotion.

Types of Sales Promotions

FREE SAMPLES

Free samples refer to when customers are provided a sample of a product for free. A common example is product samples given away free with magazines. An organization may use this form of promotion as it can be effective in removing any monetary disincentive a customer may have about purchasing and trailing a new product.

PREMIUM OFFERS

Premium offers refer to when a bonus second product offered to a customer for purchasing a product. This bonus may be given to the customer for free or at a substantial discount. An example of a premium offer could be giving customers free video games with the purchase of a video game console. An organization may use this approach to promotion as it gives customers extra incentive for purchasing a product.

LOYALTY PROGRAMS

Loyalty programs offer customers some form of bonus or reward for spending money at a specific store. Examples of loyalty programs are rewards cards used by many supermarkets or frequent flyer point systems offered by airlines. An organization may use this form of promotion in order to create customer loyalty and drive customers to make repeat purchases.

CONTESTS

Contests refer to competitions held by organizations associated with their products. An example of a contest could be a chocolate bar company offering the chance to win a ‘Free Bar’ inside the wrappers of their products. An organization may use this form of promotion to offer additional incentive for consumers to purchases their product over similar competitive products.

COUPONS

Coupons are vouchers that allow consumers to purchase products at a discounted price. A common example of coupons would be discount vouchers distributed to fast food chains. An organization may use this form of promotion to advertise a new product.

DISCOUNTS

Discounts refer to when products are temporarily offered at a lower price. Examples of a discount would be clothing items marked at '15% off' within a store. An organization may use this form of promotion in order to increase sales and attract new customers.

REBATES

Rebates refer to systems that allow customers to obtain a refund of some of the purchase price. An example of a rebate would be a company that offer a partial refund when customers mail in a proof of their purchase. This is refereed to as a mail-in rebate. Rebates may also be offered immediately at the time of purchase, this is an instant rebate.

An organization may use this form of promotion to capture consumers' attention and offer an incentive to purchase their product over similar competing products. Rebates are also advantageous for organizations because in order to claim a rebate a customer needs to make an application in which they provide personal details, this information can be used by the organizations for research in consumer behavior.

POINT OF PURCHASE PROMOTIONS

Point of purchase promotions refers to any promotions that take place within a store. Examples of point of purchase promotions would be an in-store demonstrations or trial of product. Often supermarkets will offer in store trials of products. In the case of free trials within a supermarket, an organization may use this form of promotion because the customer feels a sense of obligation to purchase the product after the free trial.

Unit- 4

Distribution channels are a key element in all the marketing strategies that revolve around the product. They help you reach the customer in a way to maximize your revenue and brand awareness. A distribution channel can also be referred to as a set of interdependent intermediaries that help make a product available to the end customer.

Types of distribution channels:

Direct sales

1. **Direct sales**

Direct sales

Direct sales are a good distribution model for selling any sort of product that is in the middle price range, it is not purchased every day, and has long shelf-life. Stationery, air purifiers, or jewelry to name a few.

Direct distribution would mean that the manufacturer finds a way to directly communicate to customers without using any market intermediaries and will deliver the goods themselves.

2. **Brokers and distributers**

If a manufacturer choses to work with agents and brokers, they decide to directly delegate part of their tasks to those Intermediaries. They act as an extension of the producer in the sense they represent them before the end customer.

3. **Wholesalers/Retailers**

Working with wholesalers and retailers is usually a preferred distribution chain link because wholesalers and retailers do purchase the product from the manufacturer and therefore they take on the risk if the products do not sell well.

Wholesaling :

This includes all the activities involved in selling goods and services to those who buy for resale purpose. They are the marketing intermediaries that buy from one source and sell it to another. The main function of a wholesaler is facilitating the transportation of the product and at times in the transfer of the titles. The intermediaries' performing the wholesaling function is principally divided into two types namely merchants and agents.

The services provided by the wholesaler to manufacturers or producers are explained as follows:

1. Economies of Large Scale:

A wholesaler buys the goods in large quantities which enable the producers to manufacture goods on a large scale. Economies of Large scale bring down the average cost of production

2. Facilitate Distribution of Goods:

Presence of wholesalers in the distribution channel relieves the producers from the hassle of finding out the customers for their products. A wholesaler facilitates the producers to reach out to their target market by buying goods in bulk from the producer for distribution and making them accessible to the consumers via the retailers located in different areas.

3. Warehousing and Marketing:

There is a time lag between production and consumption. The wholesalers purchase the goods from the producers instantly after production and store the goods in their private warehousing facility. Thus, the producers are absolved from the burden of storing their produce. The wholesalers do the grading and packing of goods for further selling to retailers.

4. Financial Assistance:

A wholesaler places bulk orders for the producer's goods. He either pays for the goods in advance or makes the settlement within a short period of time after making the purchase. Once the goods are produced, the wholesaler promptly buys them from the producer. In this way, the manufacturer does not have to block his working capital in maintaining a huge stock, and thus, can carry out production activities on a regular basis.

5. Risk Bearer:

As the wholesaler places advance orders for the goods, the producer gets a ready market for their produce. The wholesaler relieves the producer from the risk of loss due to the variations in demand and storage of goods; also cutting down risk by matching seasonal demand and supply.

6. Forecasting of Demand:

The wholesalers provide helpful information to the manufacturers regarding the needs and wants of the consumers. They collect the information from the retailers about the nature and scope of demand and share it with the producers. Thus, the wholesaler assists the producers to manufacture the goods which are in tune with the fashion, taste and needs of the market.

8. Stabilisation of Prices:

Wholesalers diminish fluctuations in the prices of products. When the prices of commodities fall in the market, the wholesalers begin buying large quantities of goods to prevent further declines in the prices. Alternatively, in the event of price rise, the wholesalers start selling the goods stored by them in the warehouses. These measures help in checking price fluctuations.

9. Link:

A wholesaler plays the part of a vital link between the producers and the retailers. They make the job of both the producers and retailers easier by facilitating regular procurement (producers) and supply of goods (retailers).

B. Services to Retailers:

The services made available by the wholesaler to the retailers are numerous.

They are described as under:

1. Convenient Buying:

Retailers have to deal with different kinds of customers. It is, therefore, important for retailers to stock a wide range of goods at their outlet. However, they cannot afford to source the stock from so many producers directly. But, wholesalers store the stock of goods procured from different producers at their warehousing facility and provide the facility to the retailers to buy the stock in desired quantity at convenient time. Thus, wholesalers make it easy for the retailers to buy goods for sale.

2. Risk Taking:

A wholesaler assumes a lot of risks of packing, transporting, storing and marketing the goods. For example, by warehousing the goods at his or her own facility, the wholesaler takes the risk of market fluctuations in prices or wastage of goods in warehouses due to pests, natural calamities, etc. In this way, the retailer is saved from such risks.

3. Knowledge about New Product:

The wholesalers use the salesmen employed by them to introduce the retailers to the new kinds of products which are going to be launched in future. The wholesaler also uses trade circulars, newspaper advertisements and showroom visits to pass on this information. Retailers can place the order in advance for the new products and thus receive attractive discounts.

4. Benefit of Specialisation:

The wholesalers generally prefer to excel in a few varieties of products. They purchase at a bargain from manufacturers that produce high quality goods. Retailers derive the advantage of this specialisation by buying the best products from the wholesalers' stock for their own shopping outlet.

5. Grading:

Grading can be defined as the process of dividing the goods into lots which are similar in terms of shape, size, weight, quality, performance, etc. The wholesaler performs the process of grading the products of different qualities and / or of similar features by separating them into different lots or packages. With everything sorted or graded systematically, it becomes easier for the retailer to sell the goods.

6. Stabilisation of Prices:

The wholesaler keeps the price line intact by maintaining the balance of demand and supply. They enable the distribution and sale of goods when there is scarcity in the market, and store them in warehouses when they are not in demand. Thus, the retailers are saved from the risks resulting from the rise and fall of prices.

7. Financial Aid:

Wholesalers finance the retail trade by providing goods on credit. Owing to low capital in hand, the retailers buy goods on credit from the wholesaler and repay the debts when they are able to collect enough money from the sale of goods to the consumers. Hence, the wholesaler makes it easy for the retailers to trade with limited capital.

8. Transport Services:

Wholesalers provide transport facility to the retailers by sending goods to their doorsteps as and when required. Some wholesalers maintain their own vehicles for the distribution of goods to the retailers.

9. Consultancy Services:

The wholesalers provide valuable advice to the retailers on a number of marketing activities such as displaying goods on the shop window, etc. They also provide the advertisement material to the retailers which describe and promote the qualities of the product.

C. Services to Consumers:

The services rendered by the wholesalers to the consumers are as follows:

1. Ready Supply:

The wholesalers enable the consumer to buy the desired quantity and quality of goods at the convenient time and place because they supply goods regularly to the retailers. Hence, the consumer does not have to wait for the stock to arrive at the retailer's shop.

2. Fair-Priced Goods:

Since the Wholesaler buys the goods from manufacturers in bulk and allows him to reap the benefit of economies of large scale production thereby bringing down the cost per unit, which ultimately benefits the customers.

3. Stabilisation of Price:
The wholesaler is in a better position to stabilise prices of the products by adjusting demand and supply. The consumers are benefited to a great extent due to the stabilisation of prices.
4. Matching Consumer Demand:
The wholesalers supply the goods as per the requirement and demands of the consumers. Thus, consumers get to choose from a diverse range in accordance to their demand.
5. Advertising the Goods:
Wholesalers advertise their goods extensively to enlighten the consumer about its uses, types and qualities and availability. The consumers get knowledge about the goods and are in a better position to make their buying decisions.
6. Market Research:
Some wholesalers carry out market research frequently to identify any improvement areas in the existing products and scope for development of new products. Further, they help the producers to stay updated with the dynamic market trends and consumer tastes by sharing useful information gathered through their market research. Consequently, the consumer gets quality products at a reasonable rate. Thus, the wholesaler is a valuable link between the producer (manufacturer), the retailer and the consumer in the channels of distribution.

Retailing. Meaning:
Retailing is defined as selling products consumers for their personal use. A retailer is a reseller from which a consumer purchases product.
Retail trade is carried on both at small scale and large scale. Small scale retailers are either mobile traders (itinerants) or fixed shops. Mobile Traders or Itinerants These retailers have no fixed place of business. They move from place to place and sell articles of daily use near to consumers. These include the following:

1. Hawkers: A hawker moves about in residential localities. He carries his goods in a hand cart or bicycle. He deals in low-priced goods of daily use. E.g. combs, toys, soaps, mirrors, bangles, vegetables, fruits, ice-cream, etc.
2. Peddlers: A peddler also moves from house to house and sells articles of daily use. But he carries his wares on his head or on the back of a mule.
3. Cheap Jacks: A cheap jack hires a small shop in a residential locality for a temporary period. He shifts his business from one locality to another depending on the availability of customers. He deals in low-priced household articles.
4. Pavement dealers or Street Traders: A pavement dealer displays his wares on footpath and outside public places such as railway station, bus stand, cinema, temple, etc. He sells low priced articles like newspapers, magazines, fruits, vegetables, footwear to the passersby. He is also called street trader.
5. Market Traders: A market trader sells goods at weekly markets when the shops are closed for weekly holiday. He displays goods outside the closed shops. He deals in lowpriced articles of daily use. He may also set up stalls on fairs and exhibitions. Fixed Shops (Small Scale Retail

Shops) Small scale retail shops are the most popular form of retail trade. These may be classified as follows:

1. Street stalls holders: These stalls are located in the main streets or street crossings. A stall is an improvised structure made of tin or wood. The street stall holder displays his goods on a temporary platform and sells toys, stationery, hosiery items, etc. at low prices.

2. Second hand goods shops: These shops sell used or second hand articles such as books, clothes, furniture, etc. They cater to the needs of poor people who cannot afford new articles. These shops collect goods at private and public auctions.

3. General stores: These stores sell a wide variety of products under one roof. .For example, a provision store deals in grocery, bread, butter, toothpaste, razor blades, bathing soap, washing powder, soft drinks, confectionery, cosmetics, etc. Consumers can buy most of their daily requirements at one place. Their time and effort is saved. Some of these stores offer free home delivery and monthly credit facilities to regular customers.

4. Single line stores: These stores deal in one line of goods. They keep stock of different size, design and quality of goods in the same line. Book stores, chemist shops, electrical stores, shoe stores, cloth stores, jeweler shops, etc., are examples of single line stores.

6. Specialty shops: These shops generally specialise in one type of product rather than dealing in a line of products. Shops selling children's garments, educational books, etc., are examples of such shops.

Large scale Retailing:

1. Mail Order Sale:

Standardization, grading, branding and packaging brought about the growth of mail-order sale, i.e., selling or shopping by post-described as 'armchair shopping.' The seller approaches the prospects by mail publicity, i.e., sending circulars, price-list, catalogue, booklets, pamphlets, samples, etc., through the post office. Up to date mailing list is maintained.

2. Consumer Co-Operative Stores:

Just as multiple shop system is an instrument in the hands of manufacturer to eliminate all middlemen in distribution, similarly, a co-operative store is an organisation owned, managed and controlled by consumers themselves to induce the number of middlemen and their commission.

3. Vending Machine:

The coin-operated vending machines are used as a complementary form of retailing many goods and services, e.g., sale of cigarettes, soft drinks, hot beverages, candy, chocolates, platform tickets, milk, etc.

4. Discount Houses:

The latest addition to the various types of retailers is the so-called discount house which brought about a revolution in retailing since 1950. The discount houses are large retail stores freely open to the public, advertised widely, stocked with well-known brands of hard goods, e.g., appliances, home furnishing, sports goods, jewellery, etc.

5. Supermarket (Self-Service Store):

A supermarket is a novel form of retail organization specializing in necessaries and convenience goods. Usually it concentrates on all food article — groceries, meat, fruits, vegetable and tinned products and non-food item.

6. One-Price Shop:

The fixed or one-price shop is a typical kind of retail organisation in which one identical price is fixed for a very large variety of articles of everyday use.

Factors for the selection of channel of distribution:

(i) Product:

Perishable goods need speedy movement and shorter route of distribution. For durable and standardized goods, longer and diversified channel may be necessary. Whereas, for custom made product, direct distribution to consumer or industrial user may be desirable.

(ii) Market:

(a) For consumer market, retailer is essential whereas in business market we can eliminate retailing.

(b) For large market size, we have many channels, whereas, for small market size direct selling may be profitable.

(c) For highly concentrated market, direct selling is preferred whereas for widely scattered and diffused markets, we have many channels of distribution.

(d) Size and average frequency of customer's orders also influence the channel decision. In the sale of food products, we need both wholesaler and retailer.

(iii) Middlemen:

(a) Middlemen who can provide wanted marketing services will be given first preference.

(b) The middlemen who can offer maximum co-operation in promotional services are also preferred.

(c) The channel generating the largest sales volume at lower unit cost is given top priority.

(iv) Company:

(a) The company's size determines the size of the market, the size of its larger accounts and its ability to set middlemen's co-operation. A large company may have shorter channel.

(b) The company's product-mix influences the pattern of channels. The broader the product- line, the shorter will be the channel.

(v) Marketing Environment:

During recession or depression, shorter and cheaper channel is preferred. During prosperity, we have a wider choice of channel alternatives. The distribution of perishable goods even in distant markets becomes a reality due to cold storage facilities in transport and warehousing.

(vi) Competitors:

Marketers closely watch the channels used by rivals. Many a time, similar channels may be desirables to bring about distribution of a company's products. Sometimes, marketers deliberately avoid channels used by competitors. For example, company may by-pass retail store channel (used by rivals) and adopt door-to-door sales (where there is no competition).

(vii) Customer Characteristics:

This refers to geographical distribution, frequency of purchase, average quantity of purchase and numbers of prospective customers.

(viii) Channel Compensation:

This involves cost-benefit analysis. Major elements of distribution cost apart from channel compensation are transportation, warehousing, storage insurance, material handling distribution personnel's compensation and interest on inventory carried at different selling points.

Unit 5

Rural marketing is a process of developing, pricing, promoting, and distributing **rural** specific goods and services leading to desired exchange with **rural** customers to satisfy their needs and wants, and also to achieve organizational objectives.

1. Large, Diverse and Scattered Market:

Rural market in India is large and scattered into a number of regions. According to the 2001 census, 740 million Indians forming 70 per cent of India's population live in rural areas. The rate of increase in rural population is also greater than that of urban population. The rural population is scattered in over 6 lakhs villages.

2. Higher purchasing capacity:

Purchasing power of the rural people is on rise. Marketers have realized the potential of rural markets, and thus are expanding their operations in rural India. In recent years, rural markets have acquired significance in countries like China and India, as the overall growth of the economy has resulted into substantial increase in purchasing power of rural communities.

3. Market growth:

The rural market is growing steadily over the years. Demand for traditional products such as bicycles, mopeds and agricultural inputs; branded products such as toothpaste, tea, soaps and other FMCGs; and consumer durables such as refrigerators, TV and washing machines have also grown over the years.

4. Development of infrastructure:

There is development of infrastructure facilities such as construction of roads and transportation, communication network, rural electrification and public service projects in rural India, which has increased the scope of rural marketing.

5. Low standard of living:

The standard of living of rural areas is low and rural consumers have diverse socio-economic backwardness. This is different in different parts of the country. A consumer in a village area has a low standard of living because of low literacy, low per capita income, social backwardness and low savings.

6. Traditional outlook:

The rural consumer values old customs and traditions. They do not prefer changes. Gradually, the rural population is changing its demand pattern, and there is demand for branded products in villages.

Marketing mix for rural marketing:

The urban products cannot be dumped on rural population; separate sets of products are designed for rural consumers to suit the rural demands. The marketing mix elements are to be adjusted according to the requirements of the rural consumers.

Marketing mix comprises of various controllable elements like product, price, promotion and place. Success of any business enterprise depends on marketing mix and these four elements are like powerful weapons in the hand marketers.

Product Mix

Product is a powerful tool of an organization’s success. The products must be acceptable to rural consumers in all significant aspects. The firm must produce products according to the needs and future demands of rural buyers. The product features like size, shape, color, weight, qualities, brand name, packaging, labeling, services, and other relevant aspect must be fit with needs, demands and capacity of buyers.

Price Mix

Price is the central element of marketing mix, particularly, for rural markets. Rural consumers are most price sensitive and price plays more decisive role in buying decisions.

Pricing policies and its strategies must be formulated with care and caution. Price level, discounts and rebates, then credit and installment faculties are important considerations while setting prices for rural specific products.

Normally, the low-priced products always attract the rural buyers, but rarely some rural customers are quality and status conscious.

Promotion Mix

Rural markets are delicately powerful to cater to the rural masses. The promotion strategies and distribution strategies and Ad makers have learned to leverage the benefits of improved infrastructure and media reach.

Most of the companies advertise their products and services on television and they are sure it reaches the target audience, because a large section of the rural India is now glued to TV sets. Marketers have to decide on promotional tools such as advertisement, sales promotion, personal selling and publicity and public relations.

The method of promotion needs to meet the expectations of the market. Vehicle campaigns, edutainment films, generating word of mouth publicity through opinion leaders, colorful wall posters, etc. — all these techniques have proved effective in reaching out to the rural masses.

Village fairs and festivals are ideal venues for projecting these programs. In certain cases, public meetings with Sarpanch and Mukhiya too are used for rural promotion. Music cassettes are another effective medium for rural communication and a comparatively less expensive medium.

Place Mix

Rural market faces critical issues of distribution. A marketer has to strengthen the distribution strategies. Distributing small and medium sized packets through poor roads, over long distances, into the remote areas of rural market.

Normally, indirect channels are more suitable to serve scattered rural customers. Usually, wholesalers are located at urban and semi urban to serve rural retailers.

Social Marketing:

While most methods of marketing are geared toward selling goods or services, the “product” in social marketing is human behavior. The philosophy behind this idea can be illustrated by a quote from Gerhard Weibe, a German World War II U-boat commander, who said: “Why can't you sell brotherhood and rational thinking like you can sell soap?”

The goal of social advertising campaigns is to promote ideas that either encourage positive behaviors like caring for the environment or wearing seat belts; or discourage negative behaviors, such as speeding or smoking in public areas. In this way, social marketing “sells” the well-being of society as a whole.

Online marketing

It is a set of tools and methodologies used for promoting products and services through the **internet**.. **Online marketing** includes a wider range of **marketing** elements than traditional business **marketing** due to the extra channels and **marketing** mechanisms available on the **internet**.

What is Direct Marketing?

Direct marketing is a promotional method that involves presenting information about your company, product, or service to your target customer without the use of an advertising middleman. It is a targeted form of marketing that presents information of potential interest to a consumer that has been determined to be a likely buyer.

Common forms of direct marketing include:

- Brochures
- Catalogs
- Fliers
- Newsletters
- Post cards
- Coupons
- Emails
- Targeted online display ads
- Phone calls
- Text messages

Service marketing:

Services marketing is a broad category of marketing strategies focused on selling anything that is not a physical product. This includes everything from personal services like medical care and spa treatments, to the rental of vehicles and spaces, to experiences like concerts and dance lessons. Any method that can communicate a service's appeal and benefits to customers is a valid approach, including informational content, promotional deals, advertisements, and many other kinds of marketing materials.

What is Green Marketing?

Green marketing is the marketing of environmentally friendly products and services. Green marketing can involve a number of different things, such as creating an eco-friendly product, using eco-friendly packaging, adopting sustainable business practices, or focusing marketing efforts on messages that communicate a product’s green benefits.

Green Marketing Methods

Beyond making an environmentally friendly product, business owners can do other things as part of their green marketing efforts. The following can all be part of a green marketing strategy:

- Using eco-friendly paper and inks for print marketing materials
- Skipping the printed materials altogether and option for electronic marketing
- Having a recycling program and responsible waste disposal practices
- Using eco-friendly product packaging
- Using efficient packing and shipping methods
- Using eco-friendly power sources
- Taking steps to offset environmental impact