Marketing Management

Notes

MBA Semester I

Rani Channamma University

2011-2012

Marketing Management - Meaning Scope, Define Market, Marketing, core concepts, Marketing Orientations

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(MBA Semester 1, Batch of 2011-13)

Marketing management

Meaning:
Marketing management focuses on satisfying customer requirements by identifying needs and wants, and developing products and services to meet them**.**
Definition: Marketing management "is a science and art of choosing target market and getting, growing and keeping customers by creating, delivering and communicating customer superior value".
What is marketed?
It specifies "tangibility spectrum":-

.Goods Services associated with good. Goods associated with services Services

i. **Goods**: Goods constitute the bulk production and marketing efforts. Companies market cars, trucks, television sets, machine tools, watches, cosmetics etc.
Service can also be associated with goods.
ii. **Services**: Services include the work of airlines, hotels, maintenance and repair people, bakers, lawyers, doctor's management consultants. Many market offerings consist of a variable mix of goods and services. At fast food restaurant, for example, the customer consumes both a product and a service.
iii. **Events**: Marketers promote time based events, such as major trade shows, artistic performances, and company anniversaries. Global sporting events such as the Olympics and the World Cup are promoted.
iv. **Experiences**: An amusement park or a water park represents experiential marketing: customers by taking "rides" in the amusement park or the water park enjoy the thrill provided by these experiences.
v. **Persons**: Celebrity marketing is a major business. Artists, musicians, CEOs, high profile people all get help from celebrity marketers. Celebrities such as Amitabh Bachchan, Sachin Tendulkar, Shah Rukh Khan, Aishwarya Rai are big brand themselves.
vi. **Places**: Cities, states, regions, and whole nations compete actively to attract tourists. In software industry Bangalore is positioned as the "silicon valley" of India. In tourism industry, Karnataka is marketed as "One state many words". The Government of India is marketing India as a tourist destination through the "Incredible India "advertisement campaign.
vii. **Organizations**: Organizations actively work to build a strong, favorable, and unique image in the minds of their target publics. Universities, museums, performing arts organizations, and nonprofits all use marketing to boost their public image and to compete for audiences and funds.
Eg: Philips "Sense and Simplicity" campaign.
viii. **Property:** Properties are intangible rights of ownership of either real property (real estate) or financial property (stocks and bonds). Properties are bought and sold, and exchanges require marketing. Investment Companies and banks market securities to both institutional and individual investors.

ix. **Information**: Information is essentially what books, schools, and universities produce, market, and distribute at a price to parents, students and communities.
Eg: Travel guides, Periodicals, newspapers etc.

x. **Idea:** Every market includes a basic idea. Products and services are platforms for delivering some idea or benefit.
Eg: ideas creting awareness about AIDS, discouraging smoking and so on.

Marketers and prospects:
A marketer is someone seeking one or more prospects who might engage in an exchange of values.
A prospect is someone whom the marketer identifies as potentially willing and able to engage in an exchange of value.
When one partly is more actively seeking and exchange than the other party, we call the first partly a marketer and second partly a prospect.

Market: The concept of exchange and relationship lead to the concept of market. A market is a set of all actual and potential buyers of product or services.
In other words, market is a situation where sellers and actual and perspective buyers exist.
Eg: Window shopping, e-bay etc.

Following are the different types of market:

1. **Consumer Markets:** When an individual buys product for personal consumption or for gifting to another individual for his personal consumption is called as Consumer market. Eg: Cosmetics, shoes etc.
2. **Business Markets:** When buyer buys the product for a resell or to manufacture a product for a sale. It is called as Business market. Eg: Furniture, PC etc.
3. **Global Market:** When companies market the product across the countries, across the continent by altering the product as per the requirement of that specific market is known as Global market. The decision is made in the face of different requirements for buying, negotiating, owing; different culture, language and legal and political systems and currencies that might fluctuate in value.
4. **Non-profit and Governmental Markets:** Companies sell their goods to non-profit organizations such as churches, universities, charitable institutions and government organization need to price carefully, because these buyers will have limited purchasing power. Government purchasing calls for bids and buyers often favors for lowest bid in the absence of extenuating factors.
5. **B-B Market** – Business to Business Market
6. **B-C Market** – Business to Consumer Market
7. **C-C Market** – Consumer to Consumer Market

Marketing
Meaning:
Meeting needs profitably of consumers and organization is called as marketing. The concept of exchange and relationship lead to the concept of market. A market is a set of all actual and potential buyers of product or services.

Define Marketing.

According to AMA, "Marketing is a function and set of processes for creating, communicating and delivering a value to customer and managing customer relationship in the way that benefits organization as well as consumer".

Marketing depends on various concepts so that Phillip kotler states that marketing rests on core concepts. Following are the important core concepts of marketing are:

Core Concepts of Marketing

1. **Need: -** A human need is a state of felt deprivation of some basic satisfaction. e.g. people require food, clothing, shelter, safety, belonging & esteems.

   Types of Needs:

   a. **Stated needs** - the customer wants an inexpensive car.
   b. **Real needs** - wants a car with operating cost, not its initial price is low.
   c. **Unstated needs** - the customer expects good service from the dealer.
   d. **Delight needs -** would like the dealer to include an onboard navigation system.
   e. **Secret needs** - the customer wants friends to see him as savvy consumer.

2. **Wants:-**

   Wants are the forms taken by human needs has they are shape by culture & individual personality people have almost unlimited wants but unlimited resources. People want to choose product that provide the most value & satisfaction for their money.

   Example: - a human being needs food but wants the burger, French rice, & soft drink.

3. **Demand:-**

   Given with they wants & resources. People demand product with benefits that adapt to the most value of a satisfaction.

   Types of Demand:

   a. **Negative Demand**: Consumers dislike the product and may even pay a price to avoid it. e.g: Drug (medicine).
   b. **Nonexistent Demand:** Consumers may be unaware or uninterested in the product. e.g: Insurance policy.
   c. **Latent Demand:** Consumers may share a strong need that cannot be satisfied by an existing product. e.g: Cigarettes.
   d. **Declining Demand:** Consumer begin to buy the product less frequently or not at all.
   e. **Irregular Demand**: Consumer purchases vary on a seasonal, monthly, weekly, daily, or even hourly basis. e.g: Bouquet.
   f. **Full Demand:** Consumers are adequately buying all products put into the marketplace.
   g. **Overfull Demand:** More consumers would like to buy the product that can be satisfied. e.g: Demarketing.
   h. **Unwholesome Demand:** Consumers may be attracted to products that have undesirable social consequences. e.g: Alcohol.

4. **Value**: Value is a central marketing concept. It reflects the sum of perceived tangible and intangible benefits and costs to customers. It is the relation between cost and benefit. It is the relation between what we give and what we get. Value increases with quality and services and decreases with price.
   - Benefit can be functional benefit and emotional benefit.
   - Cost can be time cost, energy cost and psychological cost.

$$\text{Value: } \frac{\text{Benefit}}{\text{Cost}}$$

5. **Satisfaction:** Satisfaction reflects a person's judgments of a product's perceived performance in relationship to expectations. If performance falls short of expectations, person is dissatisfied and disappointed. If it matches expectations, the customer is satisfied. If it exceeds them, the customer is delighted.
6. **Segmenting:** Dividing the market by grouping the customers with similar tastes and preferences into one group is called segmentation.
   Different **levels of segmentation** are:
   1. Segment Marketing
   2. Niche Marketing
   3. Local Marketing
   4. Individual Marketing

   Bases for Segmentation:
   1. Geographic Segmentation
   2. Demographics Segmentation
   3. Psychographic Segmentation
   4. Behavioral Segmentation
7. **Targeting:** It can be defined as a concentrating resources and efforts on particular market segment and segments.
   Eg: Mercedes for high end people.
8. **Positioning**: It deals with creating a distinct image in the minds of the customer.
   Eg: Maggi- in 2minutes.
   Volvo for safety.

Marketing Orientations

There are five main alternatives to adopting a marketing orientation. These are:

a. Selling orientation.
b. Production orientation.
c. Product orientation.
d. Marketing orientation.
e. Societal Marketing

These are described briefly below:

Selling orientation

The selling concept holds that consumers and businesses, if left alone, won't buy enough of the organizations products. The organization must therefore, undertake an aggressive selling and promotion effort. e.g. Insurance Company they make policy and make it available to customers.

Production orientation

A production concept is one of the oldest concepts in business. It helds that consumers will prefer products that are widely available and inexpensive. A production -orientated business is said to be mainly concerned with making as many units as possible (mass production and distribution). By concentrating on producing maximum volumes, such a business aims to maximize profitability by exploiting economies of scale. It occurs in a situation when product exceeds supply and when the product cost is too high. .

Product orientation

This is different from a production orientation. The product concept proposes that consumers favor products that offer the most quality, performance, or innovative features. In these organizations focus on making superior products and improving them over time. The business that is "obsessed" with its own products, perhaps even arrogant about how good they are. Their products may start out as fully up-to-date and technical leaders. e.g. Apple products like i-phone, i-pod. They focuss on product development and come with great quality products.

Marketing orientation

The marketing orientation emerged with the concept of "sense-and-respond" philosophy. The job is not to find right customers for your product but to find right product for your customers. The marketing orientation holds that key to achieving organizational goals is being more effective than competitors in creating, delivering and communicating superior customer value to chosen target markets.

Holistic marketing

Holistic marketing recognizes that "everything matters" in marketing. The concept is based on the development, design and implementation of marketing programmes, processes and activities that recognizes their breadth and interdependencies

a. **Relationship marketing**

   It aims to build mutually satisfying long term relationship with key constituents in order to earn and retain their business.

   Four key constituents of relationship marketing

   - Customers
   - Employees
   - Marketing partners(channels,suppliers,distributers,dealers,agencies)
   - Members of the financial community(shareholders,investors,analyst)

b. **Integrated marketing**

   Marketers task is to devise marketing activities and assemble fully integrated marketing programs to create, communicate, and deliver value of consumers.

c. **Internal Marketing**

   Internal marketing is the task of hiring, training, and motivating able employees who want to serve customers well.

Performance Marketing

Holistic marketing incorporates performance marketing and understanding the returns to the business from marketing activities and programs, as well as addressing broader concerns and their legal, ethical, social, and environmental effects.

- Financial Accountability
- Social Responsibility Marketing
- Social Initiatives
- Corporate social marketing
- Cause marketing
- Corporate philanthropy
- Corporate community involvement
- Socially responsible business practices

Consumer value & satisfaction,

Marketing Organization- scope and types

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(MBA Semester 1, Batch of 2011-13)

Consumer Value and Satisfactions:

Value:
Value is a central marketing concept. It is the ratio of benefits got for the cost of it. The offering will be successful if it delivers value and satisfaction to the target buyer. The buyer chooses between different offerings based on which he perceives to deliver the most value. Thus, Value reflects the some of the perceived tangible and intangible benefits and costs to consumers.
It is primarily a combination of quality, service and price (“qsp”), called the “customer value triad.” Value increases with quality and service and decreases with price. Other factors also play an important role.
VALUE = BENEFIT / COST
Where, benefit includes Functional benefit, Emotional benefit and Economic benefit .Benefit is the perceived monetary value of the bundle of economic functional and psychological benefits customers expect from a given market offering because of the products, services, personnel and image involved.
And cost includes total of the monetary cost plus psychic costs like time, energy and other botherations incurred by the buyer. Cost consists of tangible and intangible components.
Satisfaction:
Satisfaction reflects a person’s judgments of a product are perceived performance (or outcome) in relationship to expectations. If the performance falls short of expectations, the customer is dissatisfied and disappointed. If it matches expectations, the customer is satisfied. And if it exceeds them, the customer is delighted.
To deliver value and satisfaction to the consumers a firm has undergo the following types of risk:

1) Functional Risk
2) Financial Risk
3) Physical Risk
4) Social Risk
5) Psychological Risk

Marketing Organization:
The role of marketing in the organization is changing. Traditionally, marketers have played the roles of middlemen, charged with understanding customer needs and transmitting the voice of the customer to various functional areas in the organization. But in a networked enterprise, every functional area can interact directly with customers. Marketing no longer has sole ownership of customer interactions; rather, marketing needs to integrate all the customer-facing processes so customers see a single face and hear a single voice when they interact with the firm.
Types of Marketing Organizations:
Modern marketing can be organized in a number of different ways. They are as follows:

1) Functional Organization
2) Geographic Organization
3) Product or Brand –Management Organization
4) Matrix- Management Organization
5) Market Organization

These organizations are briefly explained below
Functional Organization:

The most common form of marketing organization consists of functional specialists reporting to a marketing vice president, who coordinates their activities. This includes customer service manager, marketing planning manager, sales manager, marketing research manager, new product manager, etc. The main advantage of this organization is its administrative simplicity. This type of organization often leads to inadequate planning for specific products and markets.

Geographic Organization:

A company selling in the national market often organizes it's a sales force on geographic lines. The national sales manager supervises regional sales manager, who supervise zonal or branch managers supported by sales officers, sales supervisors and sales persons.

Improved information and marketing research technologies have spurred regionalization. Data from retail-store scanners allow instant tracking of product sale, helping company's pinpoint local problems and opportunities.

Product or Brand –Management Organization:

Companies producing a variety of products and brands often establish a product-brand management organization. The product management organization does not replace the functional organization, but serves as another layer of management. In this organization a product manager supervises product category managers, who in turn supervise product and brand managers.

Matrix- Management Organization:

Companies that produce many products for many markets may adopt a matrix organization. A matrix organization seems desirable in a multi product, multi market company. The problem is that it is costly and often creates conflicts.

Market Organization:

Many companies sell to different markets. When customers fall in to different user groups with distinct buying preferences and practices, a market management organization is desirable. Market managers supervise several market- development mangers, market specialists or industry specialist and draw on functional services as needed.

Meaning and significance of marketing planning

Marketing planning involves deciding on marketing strategies that will help the company attain its overall strategic objectives. A Detailed marketing plan is needed for each business, product or brand the development of longer-term plans which have generally stronger impact than the short-term programs.

Significance:-

- It helps to ensure that marketing activity is properly focused & integrated.
- It enables everyone in the organization to know exactly what will happen and when.
- It enables the business to take advantage of market opportunities.
- Identify the right marketing mix.
- It puts the business in a position to react to unexpected events.
- Marketing planning of an organization is planning for that organization's revenue-earning activities.
- It consists of a plan identifying what basic goals and objectives will be pursued and how they will be achieved within a specific time frame.
- Marketing planning helps in maintaining a viable fit between the organization's goals, objectives, targets, skills and resources with its changing market opportunity.

Meaning and significance of Marketing planning, corporate & divisional strategic planning, SBU planning, the market process and product planning

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Corporate & division strategic planning

Strategic planning:

The process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing marketing opportunities is called Strategic planning. Strategic planning involves developing a strategy to meet competition and ensure long-term survival and growth.

Strategic planning is mainly of three types:

Strategic Planning:

Major activities in strategic planning process include developing the company's goals and plans. Typically strategic planning focuses on long-term issues and emphasizes the survival, growth, and overall effectiveness of the organization.

Tactical Planning:

Tactical planning is concerned with translating the general goals and plans developed by strategic managers into objectives that are more specific and activities. These decisions, or tactics, involve both a shorter time horizon and the coordination of resources.

Operational Planning:

Operational planning is used to supervise the operations of the organization. It is directly involved with non-management employees, implementing the specific plans developed with tactical managers. This role is critical in the organization, because operational managers are the link between management and non-management personnel.

Characteristics of a Strategic Planning:

Strategic planning consists of developing a company mission (to give it direction), objectives and goals (to give it means and methods for accomplishing its mission), business portfolio (to allow management to utilize all facets of the organization), and functional plans (plans to carry out daily operations from the different functional disciplines). Characteristics are as follows:-

- It encourages management to think ahead systematically.
- It forces managers to clarify objectives and policies.
- It leads to better coordination of company efforts.
- It provides clearer performance standards for control.
- It is useful for a fast-changing environment since sound planning helps the company anticipates and respond quickly to environmental changes and sudden developments.

Strategic planning Process:

- Defining the Company's Business and Mission
- Defining the business
- Assigning resources to SBU's
- Assessing growth opportunities.

Step 1: Defining the Company's Business and Mission:

A mission statement is a statement of the organization's purposes—what it wants to accomplish in the larger environment.

To define its mission, the company should address the classic questions?

- What is our business?
- Who is the customer?
- What is of value to the customer?
- What will our business be?

- What should our business be?

An organization develops a mission statement to share with managers, employees, & customers. A clear thoughtful mission statement provides employees with a shared sense of purpose, direction, & opportunity. Good mission statements focus on a limited number of goals, stress the company's major policies & values, & define the company's major competitive spheres.

Step 2: Defining the business:

A business can be defined in terms of three dimensions:

- Customer groups,
- Customer needs, &
- Technology.

"A target market definition" tends to focus on selling a product to a current market. e.g.: Pepsi could define its target market as everyone who drinks cola beverages; its competitors would therefore be cola companies.

"A strategic market definition" focuses also on the potential market. If Pepsi considered everyone who might drink something to quench his/her thirst, its competition would also include non-cola soft drinks, bottled water fruit juices, tea & coffee. To better compete, Pepsi might decide to sell additional beverages with promising growth rates.

Step 3: Assigning resources to SBU's:

The third step in the strategic planning process is assigning resources to SBU's. The business portfolio is a collection of businesses and products that make up the company. The best business portfolio is the one that best fits the company's strengths and weaknesses to opportunities in the environment. The purpose of identifying the company's strategic business units is to develop separate strategies & assign appropriate funding.

Step4 :Assessing growth opportunities:

Assessing growth opportunities includes planning new business, downsizing, or terminating older businesses. A company's options for higher sales & profits include:

- Intensive growth,
- Integrative growth, &
- Diversification growth.

Intensive growth: one useful framework for identifying intensive growth opportunities is a "Product – market expansion grid".

- **Market penetration strategy**: - The Company first considers whether it could gain market share with its current products in current markets by encouraging current customers to buy more, attracting competitor's customers, or convincing nonuser's to start buying its products.
- **Market development strategy**:- It considers whether it can find or develop new markets for its current products.
- **Product development strategy**:- It considers whether it can develop new products for its current markets.
- **Diversification strategy**: - It will also review opportunities t develop new products for new markets.

Integrative growth:

- Acquiring a supplier: - often growth can be achieved through **backward integration.**
- Acquiring a distributor:- growth can be achieved through **forward integration.**

- Acquiring a competitor:- growth can be achieved through **horizontal integration**.

Diversification growth: There are three types of diversification:

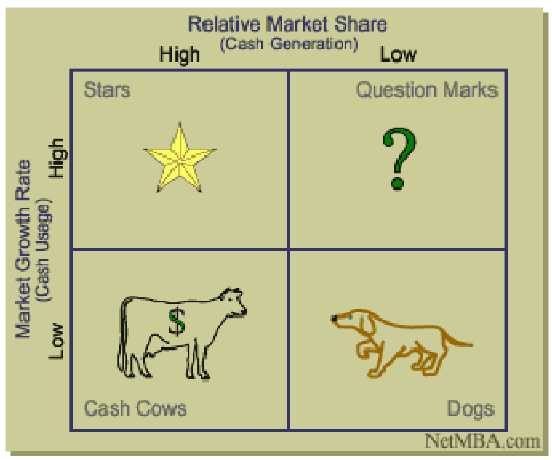
Concentric diversification strategy:- The company could seek new products that have technological or marketing synergies with existing product lines, though the new products themselves may appeal to a different group of customers.

Horizontal diversification strategy:- The company might search for new products that appeal to its current customers but are technologically unrelated to the current product line.

Conglomerate diversification strategy:- The company might seek new businesses that have no relationship to the company's current technology, products or markets.

Different tools used for SBU's (Strategic Business Unit)

The Boston Consulting Growth-Share Matrix(BCG Matrix)



The BCG growth-share matrix displays the various business units on a graph of the market growth rate v/s market share relative to competitors

The business portfolio is the collection of businesses and products that make up the company. The best business portfolio is one that fits the company's strengths and helps exploit the most attractive opportunities.

Cash Cow - a business unit that has a large market share in a mature, slow growing industry. Cash cows require little investment and generate cash that can be used to invest in other business units. **Strategy adopted by companies is Harvest**

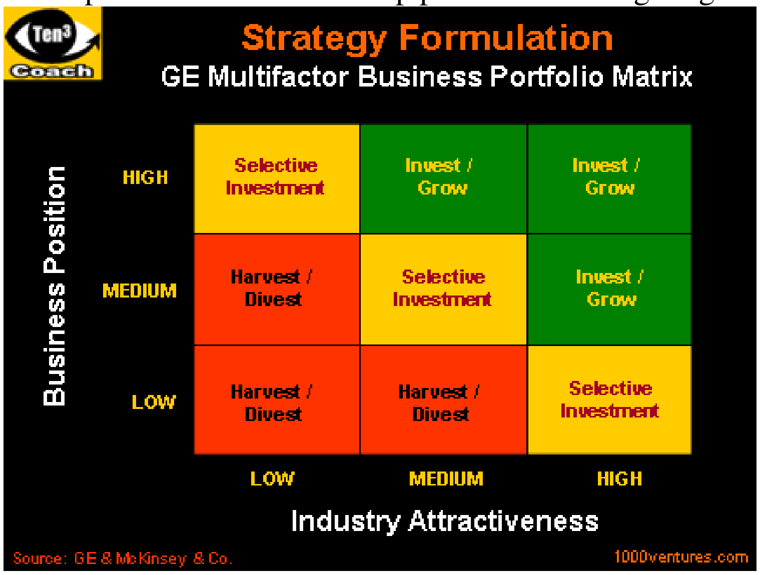
Star - a business unit that has a large market share in a fast growing industry. Stars may generate cash, but because the market is growing rapidly they require investment to maintain their lead. **Strategy adopted by companies is Hold**

Question Mark - a business unit that has a small market share in a high growth market. These business units require resources to grow market share, but whether they will succeed and become stars is unknown. **Strategy adopted by companies is Build**

Dog - a business unit that has a small market share in a mature industry. A dog may not require substantial cash, but it ties up capital that could better be deployed elsewhere. Unless a dog has some other strategic purpose, it should be liquidated if there is little prospect for it to gain market share. **Strategy adopted by companies is Divest.**

GE 9 CELL MATRIX

The GE/McKinsey Matrix was developed jointly by McKinsey and General Electric in the early 1970's as a derivation of the BCG Matrix. The GE/McKinsey Matrix is a nine-cell (3 by 3) matrix used to perform business portfolio analysis on the strategic business units (SBU) of a corporation. A well balanced portfolio is one of the top priorities of a large organization.



Industry Attractiveness

The horizontal axis of the GE / McKinsey matrix is industry attractiveness, which is determined by factors such as the following:

- Market growth rate
- Market size
- Demand variability
- Industry profitability
- Industry rivalry
- Global opportunities
- Macro environmental factors

Each factor is assigned a weighting that is appropriate for the industry. The industry attractiveness then is calculated

Business Unit Strength

The vertical axis of the GE / McKinsey matrix is the strength of the business unit. Some factors that can be used to determine business unit strength include:

- Market share
- Growth in market share
- Brand equity
- Distribution channel access
- Production capacity
- Profit margins relative to competitors.

The business unit strength index can be calculated by multiplying the estimated value of each factor by the factor's weighting, as done for industry attractiveness

Six steps are necessary to implement the GE/McKinsey analysis:

1. Determine which factors are relevant for the corporation in the industry where it operates
2. Assign a weight to each factor
3. Score each factor
4. Multiply the relative scores and weights
5. Sum all up and interpret the graph
6. Perform a review analysis

ADL MATRIX

Arthur D Little (ADL) Matrix was developed in the late 1970s by the highly respected Arthur D Little consulting company; it helps you think about strategy based on:
Competitive Position – How strong is your strategic position?
Industry Maturity – At what stage of its lifecycle is the industry?
The ADL Matrix addresses these unique needs by recommending general strategies for different combinations of competitive position and industry maturity.

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ADL Matrix

Competitive Position	Industry life cycle stage: Embryonic	Growth	Mature	Aging
Dominant	All out push for share. Hold position.	Hold position. Hold share.	Hold position. Grow with industry.	Hold position.
Strong	Attempt to improve position. All out push for share.	Attempt to improve position. Push for share.	Hold position. Grow with industry.	Hold position or harvest.
Favorable	Selective or all out push for share. Selectively attempt to improve position.	Attempt to improve position. Selective push for share.	Custodial or maintenance. Find niche and attempt to protect it.	Harvest, or phased out withdrawal.
Tenable	Selectively push for position.	Find niche and protect it.	Find niche and hang on, or phased out Withdrawal.	Phased out withdrawal, or Abandon.
Weak	Up or out.	Turnaround or abandon.	Turnaround, orphaned out withdrawal.	Abandon.

Industry Maturity

There are four categories of industry maturity (also referred to as the industry life cycle):

Embryonic – The introduction stage, characterized by rapid market growth, very little competition, new technology, high investment and high prices.

Growth – The market continues to strengthen, sales increase, few (if any) competitors exist, and company reaps rewards for bringing a new product to market.

Mature – The market is stable, there's a well-established customer base, market share is stable, there are lots of competitors, and energy is put toward differentiating from competitors.

Aging – Demand decreases, companies start abandoning the market, the fight for market share among remaining competitors gets too expensive, and companies begin leaving or consolidating until the market's demise.

Competitive Position

The five categories for competitive position are as follows:

Dominant – This is rare and typically short-lived. There's little, if any, competition, usually a result of bringing a brand-new product to market or having built an extremely strong reputation in the market (think Microsoft). Often results from a near monopoly or protected leadership.

Strong – Market share is strong and stable, regardless of what your competitors are doing.

Favorable – Your business line enjoys competitive advantages in certain segments of the market. However, there are many rivals of equal strength, and you have to work to maintain your advantage.

Tenable – Your position in the overall market is small, and market share is based on a niche, a strong geographic location, or some other product differentiation. Strong competitors are overtaking your market share by building their products and defining clear competitive advantages.

Weak – There's continual loss of market share, and your business line, as it exists, is too small to maintain profitability.

MARKETING PROCESS

Step1 : Understand the marketplace and customer needs and wants:

As a first step, marketers need to understand customer needs and wants and the marketplace within which they operate. In order to understand the consumer, it is necessary to know his needs, wants demands. However, for a complete understanding of the marketing process, the term should be clearly understood. Need are basic human requirements like food, security, clothing, and survival. Wants are the needs directed to specific product/service. A demand refers to human wants that are backed by buying power.

Step2 : Design a customer-driven marketing strategy:

To design a winning marketing strategy, the marketing manager must answer two important questions? What customers will we serve (what's our target market)? and How can we serve these customers best(what's our value proposition)?

The company must first decide who it will serve. It does this by dividing the market into segments of customers (market segmentation) and selecting which segments it will go after (target marketing)

The company must also decide how it will serve targeted customers- how it will differentiate and position itself in the market place.

Step 3: Preparing an integrated marketing plan and program:

The marketer develops an integrated marketing program that will actually deliver the intended value to target customers. The marketing program builds customer relationships by transforming the marketing strategy into action. It consists of the firm's marketing mix, the set of marketing tools the firm uses to implement its marketing strategy. The firm must blend all these marketing mix tools into a comprehensive integrated marketing program that communicates and delivers the intended value to chosen customers.

Step 4: Building customer relationships

It means the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction

Step 5: Capturing value from customers:

The final step involves capturing value in return in the form of current and future sales, market share, and profits. By creating superior customer value, the firm creates highly satisfies customers who stay loyal and buy more. This, in turn, means long run returns for the firm.

Step 6: Product planning/ product development

a. **Idea generation**:- New product development starts with idea generation- the systematic search for new product ideas.
b. **Idea Screening**:- This process involves shifting through the ideas generated above and selecting ones which are feasible and workable to develop.
c. **Concept Development and Testing:-** The organization may have come across what they believe to be a feasible idea, however, the idea needs to be taken to the target audience.
d. **Marketing Strategy and Development**:- Designing an initial marketing strategy for a new product based on the product concept. How will the product/service idea be launched within the market?
e. **Business Analysis**:-The company has a great idea, the marketing strategy seems feasible, but will the product be financially worth while in the long run?
f. **Product Development**:- Developing the product concept into a physical product in order to ensure that the product idea can be turned into a workable market offering.g.
g. **Test Marketing**:- Test marketing means testing the product within a specific area. The product will be launched within a particular region so the marketing mix strategy can be monitored and if needed.
h. **Commercialization**:- If the test marketing stage has been successful then the product will go for a launch. There are certain factors that need to be taken into consideration before a product is launched. These are timing, how the product will be launched, where the product will be launched, etc.

Scanning the marketing environment, identifying and responding to major macro environmental forces

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PESTND Analysis – Macro Environmental Factors

Political Environment

The political arena has a huge influence upon the regulation of businesses, and the spending power of consumers and other businesses. Factors such as:

- How stable is the political environment?
- Will government policy influence laws that regulate or tax your business?
- What is the government's position on marketing ethics?
- What is the government's policy on the economy?
- Does the government have a view on culture and religion?
- Is the government involved in trading agreements such as EU, NAFTA, ASEAN, or others?

Demographic Environment

The Demographic forces that marketer monitor is population, because people make up marketer. Marketers are keenly interested in the size and growth rate of population in cities, regions, and nations; age distribution and ethnic mix; educational levels; household patterns; and regional characteristics and movements.

Explosive population growth has major implications for business. A growing population does not mean growing market, unless these markets have sufficient purchasing power. Nonetheless, companies that carefully analyze their market can find major opportunities.

Economic Environment

The available purchasing power in an economy depends on current income, price, savings, debt, and credit availability. Marketer must pay careful attention to trends affecting purchasing power, because they cant have a strong impact on business, especially for companies whose products are geared to high- income and price-sensitive consumer.

Macroeconomic indicators of the country provide the overall health of the economy as well as the direction of economic growth. A marketer needs to understand the distribution of income to reach more meaningful conclusions about taking specific decisions.

The NCAER has classified Indian consumers into five categories

- **Destitute:** Annual household's income of Rs. 16000; not active participants in market exchange for a wide range of goods.
- **Aspirants:** Annual household's income of Rs. 16000 – 22000; new entrants into the consumption systems to increase in their real income.
- **Climbers:** Annual households income between Rs. 22000- 45000; have desire and willingness to buy, but have limited cash at hand
- **Consuming:** Annual households income of Rs. 45000-215000; households that form the majority of consumers; have money and are willing to spend.
- **Rich:** Those who have money and own a wide range of products.

For several product categories, the demand is likely to increase as results of growth in income and the number of households with greater purchasing power. This gives additional opportunities for companies to introduce new market offers that address the needs of "new" consumers who have just entered the market due to their income increase. The marketing strategy for companies needs to be focused on utilization these opportunities that are spin-off of the economic growth.

Social- cultural environment