Society shapes the beliefs, values, and norms that largely define consumer tastes and preferences. People absorb, almost unconsciously, a world view that defines their relationships to themselves, to others, to organizations, to society, to nature, and to the universe.

Some characteristics of social- cultural environment are:

1. **Persistence of cultural values**: People's core beliefs and values have a high degree of persistence. Core beliefs and values are passed on from parents to children and are reinforced by schools, churches, business, and government. Secondary beliefs and values are more open to change.
2. **Shifts in secondary cultural values:** Since secondary cultural values and beliefs are open to change, marketers want to spot them and be able to capitalize on the change potential. Society's major cultural views are expressed in:
    a. People's views of themselves: People vary in their emphasis on serving themselves versus serving others. In the 1980s, personal ambition and materialism increased dramatically, with significant implications for marketing. The leisure industry was a chief beneficiary.
    b. People's views of others**:** Observers have noted a shift from a "me-society" to a "we-society." Consumers are spending more on products and services that will improve their lives rather than their image.
    c. People's views of organizations**:** People are willing to work for large organizations but expect them to become increasingly socially responsible. Many companies are linking themselves to worthwhile causes. Honesty in appeals is a must.
    d. People's views of society: This orientation influences consumption patterns. "Buy American" versus buying abroad is an issue that will continue into the next decade.
    e. People's view of nature: There is a growing trend toward people's feeling of mastery over nature through technology and the belief that nature is bountiful. However, nature is finite. Love of nature and sports associated with nature are expected to be significant trends in the next several years.
    f. People's views of the universe: Studies of the origin of man, religion, and thought-provoking ad campaigns are on the rise. Currently, Americans are on a spiritual journey. This will probably take the form of "spiritual individualism."

Natural Environment

Deterioration of the natural environment is a major global problem. Environmentalists in India have been actively campaigning against pollution – causing industries. Deterioration and shortage of drinking water in the vicinity of the plant is an example of the increasing environmental consciousness.

Some trend analysts labeled the specific areas of concern were:

- **Shortages of raw materials:** Staples such as air, water, and wood products have been seriously damaged and non-renewable such as oil, coal, and various minerals have been seriously depleted during industrial expansion.
- **Increased pollution:** It is a worldwide problem. Industrial damage to the environment is very serious. Far-sighted companies are becoming "environmentally friendly" and are producing environmentally safe and recyclable or biodegradable goods. The public

response to these companies is encouraging. However, lack of adequate funding, especially in third world countries, is a major barrier.

- **Government intervention:** in natural resource management has caused environmental concerns to be more practical and necessary in business and industry. Leadership, not punishment, seems to be the best policy for long-term results. Instead of opposing regulation, marketers should help develop solutions to the material and energy problems facing the world.
- **Environmentally sustainable strategies:** The so-called green movement has encouraged or even demanded that firms produce strategies that are not only environmentally friendly but are also environmentally proactive. Firms are beginning to recognize the link between a healthy economy and a healthy environment.

Technological Environment

One of the most dramatic force shaping people's lives is technology. Through the years, technology has released such wonders as penicillin, open-heart surgery, and the birth control pill. It has also released such mixed blessings as cell phones and video games.

Marketer should monitor the following four trends in technology:

- **Accelerating pace of change:** many of today's common products were not available 40 years ago. Electronic researchers are building smarter chips to make our cars, homes, and office connected and more responsive to change conditions.
- **Ultimate opportunities for innovation:** some of the most existing work today is taking place in biotechnology, computers, microelectronics, telecommunications, robotics, and designer materials.
- **Varying R&D budgets:** increasing opportunities emerging ad a result of globalization are forcing many companies in South Asia to increase their research and development efforts.
- **Increased regulation of technological change:** government has expanded its agencies' power to investing and ban potentially unsafe products. Marketers should be aware of the regulations concerning product safety, individual privacy, and other areas that affect technological changes.

Anaysing and understanding the buying behaviour in consumer and industrial market

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Fad, Trend and Megatrends

A fad is unpredictable, short-lived, and without social, economic, and political significance. A company can cash in on a fad such as Beanie Babies, Furbies, and Tickle Me Elmo dolls, but getting it right is more a matter of luck and good timing than anything else.

A trend is a direction or sequence of events that has some momentum and durability. Trends are more predictable than fads. A trend reveals the shape of the future and provides many opportunities.

For e.g.; The percentage of people who value physical fitness and well-being has risen steadily over the years, especially in the under-30 group, young women, upscale consumers, and people living in the west.

Megatrends have been described as large social, economic, political, and technological changes that are slow to form, and once in place, they influence us for sometime between 7 to 10 years, or longer. Young people in this region are playing an increasingly significant role in the consumption of products and services.

Factors influencing Consumer Behavior

1. **Cultural Factor:**
   Cultural factor divided into three sub factors
      a. **Culture b. Sub Culture c. Social Class**
   a. **Culture**:- The set of basic values perceptions, wants, and behaviors learned by a member of society from family and other important institutions. Culture is the most basic cause of a person's wants and behavior. Every group or society has a culture, and cultural influences on buying behavior may vary greatly from country to country.
   b. **Sub Culture**:- A group of people with shared value systems based on common life experiences and situations. Each culture contains smaller sub cultures a group of people with shared value system based on common life experiences and situations. Sub culture includes nationalities, religions, racial group and geographic regions. Many sub culture make up important market segments and marketers often design products.
   c. **Social Class**:- Almost every society has some form of social structure, social classes are society's relatively permanent and ordered divisions whose members share similar values, interests and behavior.
2. **Social Factors:**
   A consumer's behavior also is influenced by social factors, such as the
      a. **Groups b. Family c. Roles and status**
   a. **Groups**:- Two or more people who interact to accomplish individuals or mutual goals. A person's behaviors are influenced by many small groups. Groups that have a direct influence and to which a person belongs are called membership groups. Some are primary groups includes **family, friends, neighbors and coworkers**. Some are secondary groups, which are more formal and have less regular interaction. These include organizations like religious groups, professional association and trade unions.
   b. **Family**:- Family members can strongly influence buyer behavior. The family is the most important consumer buying organization society and it has been researched

extensively. Marketers are interested in the roles, and influence of the husband, wife and children on the purchase of different products and services.

c. **Roles and Status**:- A person belongs to many groups, family, clubs, and organizations.The person's position in each group can be defined in terms of both role and status.

Personal Factors:-

a. Age and life cycle stage b. Occupation c. Economic situation d. Life Style
e. Personality and self concept.

a. **Age and Life cycle Stage**:- People change the goods and services they buy over their lifetimes. Tastes in food, clothes, furniture, and recreation are often age related. Buying is also shaped by the stage of the family life cycle.
b. **Occupation**:- A person's occupation affects the goods and services bought. Blue collar workers tend to buy more rugged work clothes, whereas white-collar workers buy more business suits. A Co. can even specialize in making products needed by a given occupational group. Thus, computer software companies will design different products for brand managers, accountants, engineers, lawyers, and doctors.
c. **Economic situation:-** A person's economic situation will affect product choice
d. **Life Style**:- Life Style is a person's Pattern of living, understanding these forces involves measuring consumer's major AIO dimensions.i.e. activities (Work, hobbies, shopping, support etc) interest (Food, fashion, family recreation) and opinions (about themselves, Business, Products)
e. **Personality and Self concept**:- Each person's distinct personality influences his or her buying behavior. Personality refers to the unique psychological characteristics that lead to relatively consistent and lasting responses to one's own environment.

3. **Psychological Factors:-**
   It includes these Factors.
   a. Motivation b. Perception c. Learning d. Beliefs and attitudes

a. **Motivation:-** Motive (drive) a need that is sufficiently pressing to direct the person to seek satisfaction of the need
b. **Perception**:- The process by which people select, Organize, and interpret information to form a meaningful picture of the world.
c. **Learning**:- Changes in an individual's behavior arising from experience.
d. **Beliefs and attitudes**:- Belief is a descriptive thought that a person holds about something. Attitude, a Person's consistently favorable or unfavorable evaluations, feelings, and tendencies towards an object or idea

Perception and explains perception process

Perception is the process by which we select, organize, and interpret information inputs to create a meaningful picture of the world. The key point is that it depends not only on the physical stimuli, but also on the stimuli's relationship to the surrounding field and on conditions within each of us. In marketing perception are more important than the reality, as it perception that will affect consumers actual behavior. People can emerge with different perceptions of the same object because of three perceptual processes.

1. **Selective attention**- attention is the allocation of processing capacity to some stimulus. Voluntary attention is something purposeful; involuntary attention is grabbed by someone

or something. Because we cannot possibly attend to all these, we screen most stimuli out-a process called selective attention.

2. **Selective distortion**-selective distortion is the tendency to interpret information in a way that fits preconceptions. Consumers will often distort information to be consistent with prior brand and product beliefs and expectations.
3. **Selective retention**- most of us don’t remember much of the information to which were exposed, but we do retain information that supports our attitudes and beliefs. Because of selective retention were likely to remember good points about the product we like and forget good points about competing product.

Dealing with competition - Analysing and designing the competitive strategies

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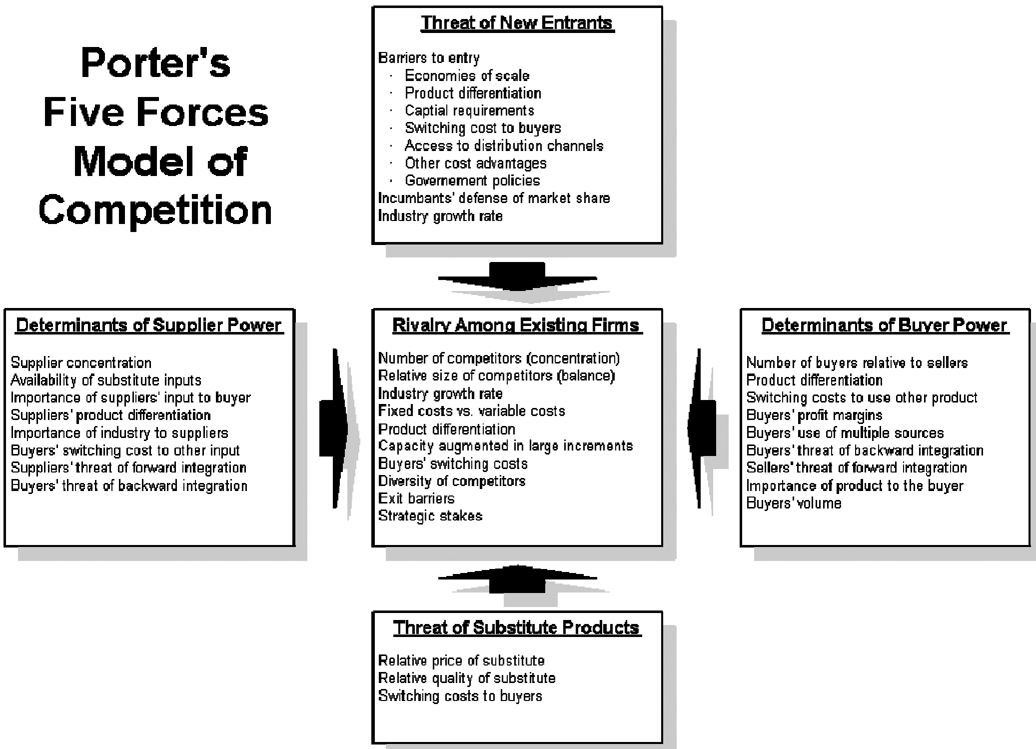
Michael Porter's Five Forces Model

An industry is a group of firms that market products which are close substitutes for each other (e.g. the car industry, the travel industry).
Some industries are more profitable than others. Why? The answer lies in understanding the dynamics of competitive structure in an industry.
The most influential analytical model for assessing the nature of competition in an industry is Michael Porter's Five Forces Model, which is described below:



Porter explains that there are five forces that determine industry attractiveness and long-run industry profitability. These five "competitive forces" are

- The threat of entry of new competitors (new entrants)
- The threat of substitutes
- The bargaining power of buyers
- The bargaining power of suppliers
- The degree of rivalry between existing competitors

Threat of New Entrants

New entrants to an industry can raise the level of competition, thereby reducing its attractiveness. The threat of new entrants largely depends on the barriers to entry. High entry barriers exist in some industries (e.g. shipbuilding) whereas other industries are very easy to enter (e.g. estate agency, restaurants). Key barriers to entry include

- Economies of scale
- Capital / investment requirements

- Customer switching costs
- Access to industry distribution channels
- The likelihood of retaliation from existing industry players.

Threat of Substitutes

The presence of substitute products can lower industry attractiveness and profitability because they limit price levels. The threat of substitute products depends on:

- Buyers' willingness to substitute
- The relative price and performance of substitutes
- The costs of switching to substitutes

Bargaining Power of Suppliers

Suppliers are the businesses that supply materials & other products into the industry. The cost of items bought from suppliers (e.g. raw materials, components) can have a significant impact on a company's profitability. If suppliers have high bargaining power over a company, then in theory the company's industry is less attractive. The bargaining power of suppliers will be high when:

- There are many buyers and few dominant suppliers
- There are undifferentiated, highly valued products
- Suppliers threaten to integrate forward into the industry (e.g. brand manufacturers threatening to set up their own retail outlets)
- Buyers do not threaten to integrate backwards into supply
- The industry is not a key customer group to the suppliers

Bargaining Power of Buyers

Buyers are the people / organizations who create demand in an industry. The bargaining power of buyers is greater when

- There are few dominant buyers and many sellers in the industry
- Products are standardized
- Buyers threaten to integrate backward into the industry
- Suppliers do not threaten to integrate forward into the buyer's industry
- The industry is not a key supplying group for buyers

Intensity of Rivalry

The intensity of rivalry between competitors in an industry will depend on:

- **The structure of competition** - for example, rivalry is more intense where there are many small or equally sized competitors; rivalry is less when an industry has a clear market leader
- **The structure of industry costs** - for example, industries with **high fixed costs** encourage competitors to fill unused capacity by price cutting
- **Degree of differentiation** - industries where products are commodities (e.g. steel, coal) have greater rivalry; industries where competitors can differentiate their products have less rivalry
- **Switching costs** - rivalry is reduced where buyers have high switching costs - i.e. there is a significant cost associated with the decision to buy a product from an alternative supplier

- **Strategic objectives** - when competitors are pursuing aggressive growth strategies, rivalry is more intense. Where competitors are "milking" profits in a mature industry, the degree of rivalry is less
- **Exit barriers** - when barriers to leaving an industry are high (e.g. the cost of closing down factories) - then competitors tend to exhibit greater rivalry.

Identifying and Analyzing the Competitors

Identifying the Competitors

We can examine competition from both an industry and market point of view. An industry is a group of firms that offers a product or class of products that are close substitute for each other. Marketers classify industries according to numbers of sellers' degree of product differentiation presence or absence of entry, mobility and exit barriers cost structure degree of vertical integration and degree of globalization.

Using the market approach, competitors are companies that satisfy the same customer need. Ex: a customer who buys a word processing software really wants "writing ability" a need that can be satisfied by pencil, pens or typewriters. The market concept of competition reveals a broader set of actual and potential competition in traditional category and industry and industry terms. Coca-cola, focused on its soft drinks business, missed seeing the growing market for coffee bars and fresh fruit juice bars that cut into sales of its carbonated beverages.

Analyzing competitors

After the company has conducted customer value analysis and examined its competitors carefully, it can focus its attack on one of the following classes of competitors: strong versus weak, close versus distant and good versus bad.

- **Strong versus Weak**: Most companies aim their shots at weak competitors, because this requires fewer resources per share points gained. Yet, the firm should also compete with strong competitors to keep up with the best. Even strong competitors have some weakness.
- **Close versus Distant:** Most companies compete with the competitors that resemble them the most. Chevrolet competes with Ford, not with Ferrari. Yet companies should also identify distant competitors. Coca cola recognizes that its number one competitor is tap water, not Pepsi. Museum now worry about theme parks and malls.
- **Good versus Bad:** Every industry contains good and bad competitors. Good competitors play by the industry's rules they set prices in reasonable relationship to costs and hey favor a health industry. Bad competitors try to buy share rather then earn it, they take large risks they invest in overcapacity and they upset industrial equilibrium. A company may find necessary to attack its bad competitors to reduce or end their dysfunctional practices.

COMPETATIVE STRATEGY

A company can gain further insight by classifying its competitor and itself according to role in the target market: **leader, challenger, follower, or nicher.** On the basis of this classification, the company can take specific action in line with its current and desired roles.

Marketing Leader Strategy:

Most industries contain an acknowledged market leader. The leader has the largest market share and usually leads the other firms in price changes, new-product introduction, distribution coverage, and promotion spending. The leader may or may not be admired or respected, but other firms concede its dominance. Competitors focus on the leader as a company to challenge, imitate or avoid. Some of the best known market leaders are the Future group (retailing), Microsoft (computer software), etc.

To remain number one, leading firms can take any three actions. First, they can find ways to expand total demand. Second, they can protect their current market share through good defensive and offensive actions. Third, they can try to expand their market share further, even if market size remains constant.

Market Challenger Strategies:

Many market challengers have gained ground or even overtaken the leader. A market challenger must first define its strategic objective ; most aim to increase market share. Then the challenger must decide whom to attack. Attacking the leader is a high-risk but potentially high-payoff strategy if the leader isn't serving the market well. The challenger can attack firms of its own size that are underperforming and underfinanced, have aging products, charge excessive prices, or aren't satisfying customers in other ways. Or it can attack small local and regional firms.

Market Follower Strategy:

Following is not the same as being passive or a carbon copy of the leaders. A market follower must know how to hold current customers and win fair shares of new ones. It must find the right balance between following closely enough to win customers from the market leader but following at enough of a distance to avoid relation. Each follower tries to bring distinctive advantages to its target market-location, services, financing. The follower is often a major target of attack by challenger. Therefore, the market follower must keep its manufacturing costs and prices low or its product quality and services high. It must also enter new market as they open up.

Market- Nicher Strategies:

An alternative to being a follower in a large market is to be a leader in a small market or niche. Small firms normally avoid competing with large firms by targeting small markets of little or no interest to the large firms. Even large, profitable firms are now setting up business units or brand for specific niches. The key idea in nichemanship is specialization. Because niche can weaken, the firm must continually create new niches, expand niches, and protect its niches. By developing strength in two or more niches, the company increases its chances for survival.

Porter's Generic Competitive Strategies (ways of competing)

A firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. There are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus. The focus strategy has two variants, cost focus and differentiation focus.

Cost Leadership

In cost leadership, a firm sets out to become the low cost producer in its industry. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. A low cost producer must find and exploit all sources of cost advantage. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average.

Differentiation

In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. It is rewarded for its uniqueness with a premium price.

Focus

The generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others.

The focus strategy has two variants.

(a) In cost focus a firm seeks a cost advantage in its target segment, while in

(b) Differentiation focus a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between a focuser's target segment and other segments in the industry. The target segments must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments. Cost focus exploits differences in cost behaviour in some segments, while differentiation focus exploits the special needs of buyers in certain segments.

Level of market segmentation, basis of segmentation business and consumer markets, market targeting, positioning and positioning strategies

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(MBA Semester 1, Batch of 2011-13)

Levels of Market Segmentation

The starting point for segmentation is mass marketing. In mass marketing, the seller engages in the mass production, mass distribution, and mass promotion of one product for all buyers. Some claims that mass marketing is dying. Most companies are turning to micro marketing at one of four levels: segments, niches, local areas and individuals.

Segment Marketing

A market segment consists of a group of customers who share a similar set of needs and wants. Rather than creating the segments, the marketer's task is to identify them and decide which one(s) to target. The company can often better design, price, disclose and deliver the product or service and also can fine-tune the marketing program and activities to better reflect competitors marketing. e.g.:- automobile companies in India offer different versions of the same model with different features

Niche Marketing

A niche is more narrowly defined customer group seeking a distinctive mix of benefits. Marketers usually identify niches by dividing a segment into sub segments. e.g.:- EZEE the liquid detergent from Godrej

Local Marketing

Local marketing reflects a growing trend called *grassroots marketing*. Marketing activities concentrate on getting as close and personally relevant to individual customers as possible. e.g.:- Much Nike's initial success comes from engaging target consumers through grassroots marketing such as sponsorship of local school terms, expert conducted clinics and provision of shoes, clothing and equipment.

Individual Marketing

The ultimate level of segmentation leads to segments of one "Customized marketing" or "one-to-one marketing". Customization combines operationally driven mass customization with customized marketing in a way that empowers consumers to design the product and service offering of their choice. A company is costomerized when it is able to respond to individual customersby customizing its products, services and messages on one-to-one basis. e.g.:- Galleria credit card, offered by united bank limited, Pakistan.

Bases For Segmenting Consumer Markets

Some researchers try to define segments by looking at descriptive characteristics: Geographic, Demographic and Psychographic. Then they examine whether these customer segments exhibit different needs or product responses.

Geographic Segmentation

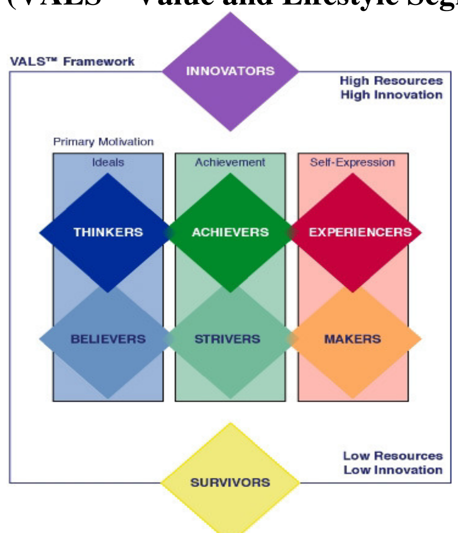
Geographic segmentation calls for division of market into different geographical units such as Nations, states, regions, countries, cities or neighborhoods. e.g Region, City, Rural and semi unban

Demographic Segmentation

In demographic segmentation, we divide the market into groups on the basis of variables such as age, family size, family life cycle, gender, income, occupation, education, religion, race, generation, nationality and social class.

- **Age and Life cycle stage:** Consumer wants and abilities to change with age. Therefore, age and life cycle stages are important variables to define segments e.g.:- Johnson & Johnson's baby soap
- **Life stage:** It defines a person's major concern, such as getting married, deciding to buy home, planning for retirement so on.
- **Gender:** Men and women have different attitudes and behave differently, based partly on genetic makeup and partly on socialization. e.g.:- women tend to be more communal minded and men tend to be more self-expressive and goal directed.
- **Income:** Income determines the ability of consumers to participate in the market exchange and hence this is a basic segmentation variable.
- **Generation:** Each generation is profoundly influenced by the times in which it grows up- the music, movies, politics and defining events of that period.
- **Social class:** Social class has a strong influence on preferences in cars, clothing, reading habits and retailers. The concept of social class in India is influenced by the caste system.

Psychographic Segmentation (VALS – Value and Lifestyle Segment)



In Psychographic segmentation, buyers are divided into different groups on the basis of psychological/ personal traits, life styles, or values.

The four groups with higher resources

- **Innovators**- successful, sophisticated, active, "take-charge" people with high self-esteem.
- **Thinkers-** mature, satisfied, and reflective people who motivated by ideals and who value order, knowledge, and responsibility.
- **Achievers-** Successful, goal oriented people who focus on career and family.
- **Experiencers**- Young, enthusiastic, impulsive people who seek variety and excitement.

The four groups with lower resources

- Believers- Conservative, conventional, and traditional people with concentrate beliefs.
- Strivers- Trendy and fun-loving people who are resource constrained.

- Makers- Practical, down-to-earth, self-sufficient people who like to work with their hands.
- Survivors- Elderly, passive people who are concerned about change.

Behavioral Segmentation

In behavioral segmentation, marketers divide buyers into groups on the basis of their knowledge of, attitude toward, use of, or response to a product.

- **Decision Roles**- people play five roles in a buying decision: initiator, influencer, decider, buyer, and user.
- **Behavioral variables**
    - **Occasions**- greeting card brands such as Archies and Hallmark make cards for different occasions.
    - **Benefits**- Targeted at people who seek different sets of benefits.
    - **User status-** every product has its nonuser, ex-user, potential user, first time user and regular user.
    - **Usage rate**- markets can be segmented into light, medium, and heavy product users.
    - **Buyers-** readiness stage- some people are unaware of the product, some are aware, some are informed, some are interested, some desire the product, and some intend to buy.
    - **Loyalty status**
        - Hard core loyals- consumers who buy only one brand all the time
        - Split loyals- consumers who are loyal to two or three brands
        - Shifting loyals- consumers who shift loyalty from one brand to another.
        - Switchers- consumers who show no loyalty to any brand.
    - Attitude- five attitudes about products are: enthusiastic, positive, indifferent, negative, and hostile.

Bases for Segmenting Business Markets

Demographics

- Industry
- Company size
- Location

Operating variables

- Technology
- User or nonuser status
- Customer capabilities

Purchasing approaches

- Purchasing-function
- Power structure
- Nature of existing relationship
- General purchasing policies
- Purchasing criteria

Situational factors

- Urgency

- Specific application
- Size order

Personal characteristics
- Buyer-seller similarity
- Attitude towards risk
- Loyalty

Market Targeting

There are many statistical techniques for developing market segments. Once the firm has identified its market segments opportunities, it must decide how many and which ones to target.

Effective segmenting criteria
- **Measurable:**The size, purchasing power, and characteristics of the segments can be measured.
- **Substantial:**The segments are large and profitable enough to serve. A segment should be the largest possible homogeneous group worth going after with a tailored marketing program.
- **Accessible:**The segments can be effectively reached and sevred
- **Differentiable:**The segments are conceptually distinguishable and respond differently to different marketing-mix elements and program
- **Actionable:**Effective program can be formulated for attracting and serving the segments

Steps involved in segmentation process
- Single segment concentration
- Selective specialization
- Product specialization
- Market specialization
- Full market coverage

POSITIONING & POSITIONING STRATEGY

Product Position And Positioning Of A Product

"The way the product is defined by consumers on important attributes- the place the product occupies in consumers' minds relative to competing products" is called as the product position".

Eg.1.Dalda positioned as a demonstration of "maternal love".

The act of designing the company's offering and image to occupy a distinctive place in the mind of target market is called as the positioning of a product.

Positioning Is Required

As a marketer, it is your opportunity to influence the market's perception of your products.
- Clear and meaningful product positioning also helps you cut through relentless advertising and marketing noise of the market place, in your consumers mind, product positioning gives your message some context so they can be better heard and accepted.

- Failure to proactively address positioning is unlikely to end well with or without your input, customer will position your product-probably based on information from your competitors, which will not flatter you.

Positioning Characteristics or Objectives

To be successful, product positioning must achieve three objectives

- Differentiate your product from competitions.
- Address important customer buying criteria.
- Articulate key product or company characteristics.

Value Proposition and Positioning Statement

It is defined as the 'the full positioning of a brand – the full mix of benefits upon which it is positioned'.eg. Domino's pizza- A good hot pizza, deliver to your door within 30 mins for ordering atmoderate price. A statement that summarizes company or brand positioning.

Positioning Strategies.

The following is a list of some established product positioning strategies.

- **Against a Competitor:** Positioning your product directly against a competitor's typically requires a specific product superiority claim.
- **Away from a Competitor:** Positioning yourself as the opposite of your competitor can help you get attention in a market dominated by some other product.e.g.7-UP calling itself the Uncola.
- **Benefits:** This strategy focuses on a benefit your product provides to your target audience. e.g.Volvo's emphasis on safety and Crest toothpaste's focus on reducing cavities.
- **Product Attributes:** Highlighting a specific attribute of your product can also be compelling. e.g. Ritz Carlton hotels focus on luxury; Motel 6 focuses on economy.
- **Product Categories:** Comparing your product to a product in a different category can be an effective way to differentiate yourself.e.g. In a soap-compares-itself-to-lotion example, Palmolive dishwashing liquid claims that it softens your hands while you do the dishes.
- **Usage Occasions:** This kind of positioning stresses when or how your product is used by your target audience. E.g. Jeep's focus on off-road driving is an excellent example.
- **Users:** Focusing on the unique characteristics of specific users can also be effective. e.g. For Dummies series of instruction books are attractive to people who want to learn about a topic from a source that doesn't assume any prior knowledge on the reader's part.

Product Life cycle strategies,

New Product Development

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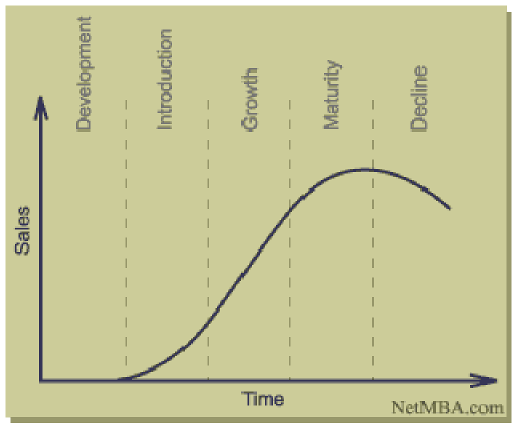
Product Life Cycle

A product's life cycle (PLC) can be divided into several stages characterized by the revenue generated by the product. If a curve is drawn showing product revenue over time, it may take one of many different shapes, an example of which is shown below:

Product Life Cycle Curve



The life cycle concept may apply to a brand or to a category of product. Its duration may be as short as a few months for a fad item or a century or more for product categories such as the gasoline-powered automobile.

Product development is the incubation stage of the product life cycle. There are no sales and the firm prepares to introduce the product. As the product progresses through its life cycle, changes in the marketing mix usually are required in order to adjust to the evolving challenges and opportunities.

Introduction Stage

When the product is introduced, sales will be low until customers become aware of the product and its benefits. During the introductory stage the firm is likely to incur additional costs associated with the initial distribution of the product. These higher costs coupled with a low sales volume usually make the introduction stage a period of negative profits. During the introduction stage, the primary goal is to establish a market and build primary demand for the product class.

Marketing Strategies for Introduction Stage are

- **Product -** one or few products, relatively undifferentiated
- **Price -** Generally high, assuming a skim pricing strategy for a high profit margin as the early adopters buy the product and the firm seeks to recoup development costs quickly. In some cases a penetration pricing strategy is used and introductory prices are set low to gain market share rapidly.
- **Distribution -** Distribution is selective and scattered as the firm commences implementation of the distribution plan.
- **Promotion -** Promotion is aimed at building brand awareness. Samples or trial incentives may be directed toward early adopters. The introductory promotion also is intended to convince potential resellers to carry the product.

Growth Stage

The growth stage is a period of rapid revenue growth. Sales increase as more customers become aware of the product and its benefits and additional market segments are targeted. Once the product has been proven a success and customers begin asking for it, sales will increase further as more retailers become interested in carrying it. The marketing team may expand the distribution at this point. When competitors enter the market, often during the later part of the growth stage, there may be price competition and/or increased promotional costs in order to convince consumers that the firm's product is better than that of the competition. During the growth stage, the goal is to gain consumer preference and increase sales. The **marketing strategy may be modified as follows**:

- **Product -** New product features and packaging options; improvement of product quality.
- **Price** - Maintained at a high level if demand is high, or reduced to capture additional customers.
- **Distribution** - Distribution becomes more intensive. Trade discounts are minimal if resellers show a strong interest in the product.
- **Promotion** - Increased advertising to build brand preference.

Maturity Stage

The maturity stage is the most profitable. While sales continue to increase into this stage, they do so at a slower pace. Because brand awareness is strong, advertising expenditures will be reduced. Competition may result in decreased market share and/or prices. The firm places effort into encouraging competitors' customers to switch, increasing usage per customer, and converting non-users into customers. Sales promotions may be offered to encourage retailers to give the product more shelf space over competing products. During the maturity stage, the primary goal is to maintain market share and extend the product life cycle. Marketing mix decisions may include:

- **Product** - Modifications are made and features are added in order to differentiate the product from competing products that may have been introduced.
- **Price** - Possible price reductions in response to competition while avoiding a price war.
- **Distribution** - New distribution channels and incentives to resellers in order to avoid losing shelf space.
- **Promotion** - Emphasis on differentiation and building of brand loyalty. Incentives to get competitors' customers to switch.

Decline Stage

Eventually sales begin to decline as the market becomes saturated, the product becomes technologically obsolete, or customer tastes change. If the product has developed brand loyalty, the profitability may be maintained longer. Unit costs may increase with the declining production volumes and eventually no more profit can be made.

During the decline phase, the firm generally has three options:

- Maintain the product in hopes that competitors will exit. Reduce costs and find new uses
- Harvest it, reducing marketing support.
- Discontinue the product when no more profit can be made or there is a successor product.

The marketing Strategy may be modified as follows:

- **Product** - The number of products in the product line may be reduced. Rejuvenate surviving products to make them look new again.
- **Price** - Prices may be lowered to liquidate inventory of discontinued products. Prices may be maintained for continued products serving a niche market.

- **Distribution** - Distribution becomes more selective. Channels that no longer are profitable are phased out.
- **Promotion** - Expenditures are lower and aimed at reinforcing the brand image for continued products.

Limitations of the Product Life Cycle Concept:-

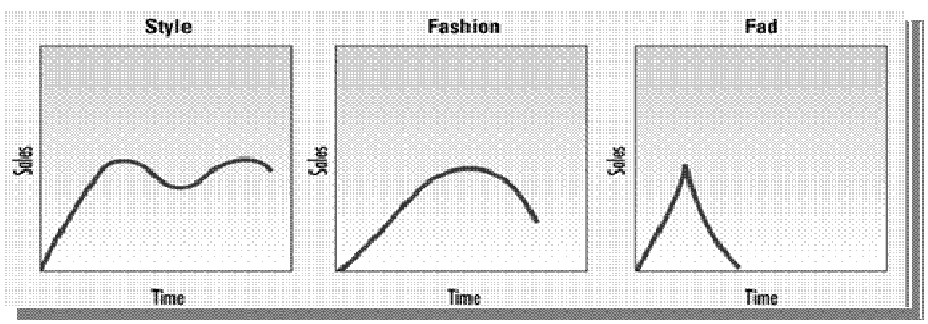
The term "life cycle" implies a well-defined life cycle as observed in living organisms, but products do not have such a predictable life and the specific life cycle curves followed by different products vary substantially. Consequently, the life cycle concept is not well-suited for the forecasting of product sales.

Nonetheless, the product life cycle concept helps marketing managers to plan alternate marketing strategies to address the challenges that their products are likely to face. It also is useful for monitoring sales results over time and comparing them to those of products having a similar life cycle.

Style, Fashion, and Fad life cycles

Three special categories of product life cycles should be distinguished—styles, fashions, and fads.

Style: A Style is a basic and distinctive mode of expression appearing in a field of human endeavor. Styles appear in homes (colonial, ranch, Cape Cod); clothing (formal, casual, funky); and art (realistic, surrealistic, abstract). A style can last for generations, and go in and out of vogue.



Fashion: A fashion is a currently accepted or popular style in a given field. Fashions pass through four stages: distinctiveness, emulation, mass-fashion, and decline. The length of a fashion cycle is hard to predict. William Reynolds suggests that the length of a particular fashion cycle depends on the extent to which the fashion meets a genuine need, is consistent with other trends in the society, satisfies societal norms and values, and does not exceed technological limits as it develops.

Fads: Fads are fashions that come quickly into public view, are adopted with great zeal, peak early, and decline very fast. Their acceptance cycle is short, and they tend to attract only a limited following of those who are searching for excitement or want to distinguish themselves from others. They often have a novel or capricious aspect, such as body piercing and tattooing. Fads do not survive because they do not normally satisfy a strong need. The marketing winners are those who recognize fads early and leverage them into products with staying power. Here is a success story of a company that managed to extend a fad's life span.

New product development

Ways to create new product are:

- Acquisition : It has 3 forms such as;
  - Buying other companies
  - Acquiring patents from companies
  - Buying of license of companies or franchisee
- Organic growth: It means development of new products from within the company.

Types of new products

1. New to the World : New product which is entirely new to the market.
2. New product line : New products that allow the companies to enter established market for the first time.
3. Addition to existing product line : New products that contribute to the existing product line introduced to the market with slight variations in size, fragrance, colour etc. e.g. New Lux, Die coke etc.
4. Improved and revision of existing products : the new products that provide improved performance or greater perceived value and replace the exiting one. e.g. Toyota Innova replaces the Qualis, New Horlicks.
5. Repositioning : Existing products that are targeted to the new markets or market segments. e.g. Tata Sumo and Tata Victa.
6. Cost reduction : New products that provide similar performance with reduced price e.g. Honda city, New wheel economy pack

Reasons for Product Failure

1. A high level executive pushes a favorite idea through in spite of the negative market research findings. e.g. Reynolds smoke free cigarettes.
2. Idea is good but market size is overestimated. e.g. Levi's Jean in India.
3. The product is not well designed. e.g. Cibaca Lime in 1991.
4. Development cost are higher.
5. Competitors fight back harder than expected.
6. Shortage of important ideas in certain areas in which very few ways are left to improve. e.g. Steel, Detergents.
7. Fragmented Market : Keen competition is leading the market fragmentation . Companies have to aim their new products at smaller segments and this means lower sales and lower profit margins.
8. Social and Governmental constraints : Safety and environmental rules and regulations like use of plastic less than 20 micron is banned or EURO III norms engines for the automobiles
9. Costliness of development prices : Higher R & D , manufacturing and marketing costs.
10. Capital Shortage : Sometimes can not raise the funds needed to research and launch the products.
11. Shorter product life cycle.

New Product Development Process

- **Stage 1: Idea Generation** – The development process starts with idea generation and search for the ideas. Ideas can come from many sources like customers, suppliers, scientists, competitors, employees, channel members and top management etc. Stimuli is required for the idea generation the most important stimulus can be need or want. e.g. Nirlep non stick cookware (requirement of quickly heated less oil consumption pan or cookware.
- **Stage 2**: **Idea Screening -** this is nothing but sorting the ideas into three categories.
  - Promising ideas
  - Marginal ideas
  - Rejected ideas

  In this process care must taken to avoid the following errors
  - **A drop error** – It occurs when a good idea is dropped.
  - **A go error** – In this case a poor idea may move to the product development stage.
- **Stage 3: Concept Development and Testing –** Concept is an elaborated version of the idea expressed in meaningful consumer terms. Concept development – to elaborate this concept we will consider following example.e.g. A company gets the idea of producing a powder to add to the milk to increase its nutritional value and taste. This idea can be turned into several concepts by giving answers to the questions like who will use it?, what primary benefits should the product provide ? And when people will consume it ?
  - **Concept 1** – An instant breakfast drink for the adults who wants a quick nutritious breakfast without preparing breakfast.
  - **Concept 2** - A tasty snack drink for children to drink as midday refreshment .
  - **Concept 3** – a healthy supplement for older adults to drink before they go to bed.

  Each concept defines competition. The company should decide which the feasible one is.
  - It involves presenting the product concept to appropriate target consumer and getting their reaction. This is done symbolically or physically. Small plastic models or virtual reality to test the concepts. This is carried out using focus group interviews or surveys.
  - Elaboration of our product for the survey.
    Our product is a powdered mixture that is added to milk to make an instant breakfast that gives the person all the needed nutrition along with good taste and high convenience. The product would be offered in three flavors (Chocolate, Vanilla, strawberry) and would come in individual packets, six in box at Rs. 18 per box.
  - Consumer will respond following questions after reviewing the above information.
    - Are benefits clear to you and believable?
    - Do you see this product solving a problem or filling a need you have?
    - Do other products currently meet this need and satisfy you?
    - Is price reasonable in relation to value?
    - Would you buy the product?
    - Who would use the product?
    - When and how often will the product be used?

- **Conjoint Analysis –**
  A method for deriving the utility values that consumer attach to varying levels of the product attributes. Attributes like package design, prices, brand name. In this method relative importance of each attribute to the consumer is studied.

Stage 4: Marketing Strategy Development

- Top management must develop a preliminary marketing strategy plan for introducing the new product into market.
- The plan consists of three parts.
- Target market size, structure and behavior – e.g. the company will aim initially to sell 500,000 cases with loss not exceeding Rs. 25 lacs, second year 700,000 cases with planned profits of Rs. 10 lacs.
- Second part outlines the planned price, distribution strategy and marketing budget. e.g. Six packets to a box and 48 boxes to a case., for 1st two months dealers will be offered 1 free case for every four cases purchase, coupon for 10 % off will appear in newspapers etc., ad. Expenses
- Third part describes the long term sales and profit goals e.g. market share for 1st year and subsequent years.

Stage 5: Business Analysis

- To study the proposal's business attractiveness, for that they prepare sales, cost profit projections to determine whether they satisfy company objectives. If they do the concept can move to the product development stage.
- Estimating total sales – Total estimated sales are the sum estimated 1st time sales, replacement sales and repeat sales. It depends upon whether the product is one time purchase , infrequent purchase or frequently purchased.

Stage 6: Product Development

- In this stage detailed technical analysis is conducted to know whether the product can be produced at costs. Working model is developed which reveals tangible and intangible attributes of the products . It is job of translating customer requirement into working prototype. Developing and manufacturing a successful prototype can take days, weeks, months and even years.
- This stage involves following functions.
  1. Developing attributes of the new products.
  2. Product development schedule.
  3. Legal and regulatory issues regarding the new product.
  4. Production requirement for developing the new product.

Stage 7: Product Use Testing

- After prototype is ready they must be put through rigorous functional tests and customer tests. It is done using techniques like Alpha testing, Beta testing, and Gamma testing.
- Product testing helps in
  1. Comparing new products with existing ones.
  2. Knowing performance safety, acceptability of features like colours, size, weights etc.
  3. Ensuring that the product perceived as intended.
  4. Finding out how customers uses the products
  5. Customers preferences
  6. Reasons for dissatisfaction.

Stage 8: Test Market

- In this stage the company chooses few cities. Sales force tries to sell the trade on carrying the product and giving it a good shelf exposure. Company put on full advertising and promotional campaign. Marketers need to decide on following issues
  1. How many test cities?
  2. Which cities?
  3. Length of test
  4. What information?
  5. What action to take?

Stage 9: Commercialization

- The results of test marketing help marketers decide the changes that are needed in the marketing mix before entering the market. It also helps the marketer decide the amount of production, distribution strategy, selling efforts and other issues like providing guarantees, warranties, replacement services etc.
- The company also has to answer following question as far as launching of the product is concerned.
  1. When to launch? – first entry against the competitor , parallel entry or late entry.
  2. Where to launch?- Geographical location
  3. To whom to market?
  4. How to market?

Marketing information system- internal records, marketing intelligence, market research, marketing decision support system

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Marketing Information System

Marketing Information System

Marketing Information System consists of people, equipments, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely and accurate information to marketing decision makers. A marketing information system relies on internal company records, marketing intelligence activities, and marketing research.

The company's marketing information system should be crosses between what managers think they need, what they really need, and what is economically feasible. An internal MIS committee can interview a cross section of marketing managers to discover their information needs.

Components of Marketing Information system

A Marketing Information System has three components:

a) An internal records system, which includes information on the order-to-payment cycle and sales information system.
b) A marketing intelligence system, a set of procedures and sources used by managers to obtain everyday information about pertinent developments in the marketing environment.
c) A marketing research system that allows for the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation.

Internal Records & Marketing Intelligence:

Marketing managers rely on internal reports of orders, sales, prices, costs, inventory levels, receivables, payables, and soon, by analyzing this information, they can spot important opportunities and problems.

The Order-to-Payment Cycle:

The heart of the internal records system is the order-to-payment cycle. Sales representatives, dealers, and customers send orders to the firm. The sales department prepares invoices, transmits copies to various departments, and back-orders out-of-stock items. Shipped items generate shipping and billing documents that go to various departments.

Today's companies need to perform these steps quickly and accurately, because customers favor firms that can promise timely delivery.

Sales information system:

Marketing managers need timely and accurate reports on current sales. Technological gadgets are revolutionizing sales information systems and allowing representatives to have up-to-the-second information.

Many companies in the South Asia region provide laptops, mobile phones, and internet communication facilities to keep track of sales, collection, inventory levels, & order position.

For example, Reliance Petroleum uses hand-held billing machines, which can be taken near the vehicle (customer) for dispending the bill after collecting the cash. The data from these machines can be transferred to computers in computer-readable file format to enable further processing in to-date information & improve productivity of the sales personnel.

Databases, Data warehousing, and Data Mining:

Companies organize their information in to databases. Customer databases, product databases, salesperson databases, and then combines data from the different databases.

Companies warehouse these data and make them easily accessible to decision makers. They can mine the data and garner fresh insights into neglected customer segments, recent customer trends, and other useful information. Managers can cross-tabulate customer information with product and salesperson information to yield still-deeper insight.

The Marketing Intelligence System:

The internal records system supplies results data, but the marketing intelligence system supplies happenings data.

A marketing intelligence system is to obtain everyday information about developments in the marketing environment.

Marketing managers collect marketing intelligence by reading books, newspaper, & trade publications; talking t customers, suppliers, and distributors; monitoring "social media" on the Internet via online discussion groups, e-mailing lists & blogs; and meeting with other company managers.

Companies can several steps to improve the quality of its marketing intelligence.

- Train and motivate the sales force to spot and report new developments.
- Motivate distributors, retailers, and other intermediaries to pass along important intelligence.
- Network externally.
- Set up a customer advisory panel.
- Take advantage of government data resources.
- Purchase information from outside suppliers.
- Use online customer feedback systems to collect competitive intelligence.

The Marketing Research System:

Marketing research as the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing the company. Most large companies have their own marketing research departments, which often play crucial role within the organization.

Companies normally budget marketing research at 1% to2% of company sales. A large percentage of that is spent on the services of outside firms. Marketing research firms fall into three categories i.e.

- **Syndicated-service research firms:** These firms gather consumer and trade information, which they sell for a fee. For example, the National Council For Applied Economic Research (NCAER), and IMRB International.
- **Custom marketing research firms:** They design and carry out research studies for various clients based on specific briefs.
- **Specialty-line marketing research firms:** These firms provide specialized research services such as developing a research brief, collecting field data, and preparing data analyses and reports for other firms.

The marketing research process:

Effective marketing research follows the six steps like

1. Define the Problem, the Decision Alternatives, and the Research Objectives.
2. Develop the research plan.
3. Collect the information.
4. Analyze the information.
5. Present the findings.
6. Make the decision.

Marketing decision support system

A **marketing decision support system** (sometimes abbreviated **MKDSS**) is a decision support system for marketing activity. It consists of information technology, marketing data and modeling capabilities that enable the system to provide predicted outcomes from different scenarios and marketing strategies, so answering "what if?" questions.

A MKDSS is used to support the software vendors' planning strategy for marketing products. It can help to identify advantageous levels of pricing, advertising spending, and advertising copy for the firm's products. This helps determines the firms marketing mix for product software.

A marketing decision support system is a :-

- Coordinated collection of data, systems, tools, and techniques with supporting hardware and software.
- By which an organization gathers and interprets relevant information from business and environment. And turns it into a basis for marketing action.
- An interactive, flexible computerized information system that enables managers to obtain and manipulate information as they are making decisions.