Chapter – 5

5.1 Marketing

5.2 Marketing Research

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5.4 Marketing Mix

5.1 Marketing

The objective of all business enterprises is to satisfy the needs and wants of the society. Marketing is, therefore, a basic function of all business firms. When a salesperson sells washing machines, a doctor treats a patient or a Government asks people to take their children for getting polio drops, each is marketing something to the targets. Traditionally, small firm owners did not give as much importance to marketing as to other functions such as accountancy, production and selling. Training programmes, enterprise development and the current thrust for competitiveness have now given high priority to promoting marketing awareness among small business owners, and marketing is now assuming its rightful place along with other business functions.

Since early 1990s there has been a change in the thinking of businessman from product orientation to consumer orientation. Modern business concerns lay emphasis on ‘selling satisfaction’ and not merely on selling products. The activities have to be coordinated so as to develop the marketing mix, which provides maximum satisfaction to the customers. That is why marketing research and product planning occupy an important role in marketing. The other important functions of marketing include: buying and assembling, selling, standardisation, packing, storing, transportation, promotion, pricing and risk bearing. Thus, the scope of marketing is very wide and no more restricted to merely selling of products.

Marketing may be narrowly defined as a process by which goods and services are exchanged and the values determined in terms of money prices. That means marketing includes all those activities carried on to transfer the goods from the manufacturers or producers to the consumers.

We shall be learning later in the lesson that marketing is more than a mere physical process of distributing goods and services. It is the process of discovering and translating consumer wants into products and services. It begins with the customer (by finding their needs) and ends with the customer (by satisfying their needs).

Marketing is the process of communicating the value of a product or service to customers, for the purpose of selling the product or service. It is a critical business function for attracting customers

<u>Definitions of Marketing by different authors</u>:

“The science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit. Marketing identifies unfulfilled needs and desires. It defines measures and quantifies the size of the identified market and the profit potential. It pinpoints which segments the company is capable of serving best and it designs and promotes the appropriate products and services.” By Dr. Philip Kotler.

“Marketing is the process by which a firm profitably translates customer needs into revenue.” By Mark Burgess.

From a societal point of view, marketing is the link between a society’s material requirements and its economic patterns of response. Marketing satisfies these needs and wants through exchange processes and building long term relationships. It is the process of communicating the value of a product or service through positioning to customers. Marketing can be looked at as an organizational function and a set of processes for creating, delivering and communicating value to customers, and managing customer relationships in ways that also benefit the organization and its shareholders. Marketing is the science of choosing target markets through market analysis and market segmentation, as well as understanding consumer buying behavior and providing superior customer value.

“Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.” By The American Marketing Association

If we read the definition closely, you see that there are four activities, or components, of marketing:

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

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

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

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

If the four Ps are the same as creating, communicating, delivering, and exchanging, we might be wondering why there was a change. The answer is that they are not exactly the same. Product, price, place, and promotion are nouns. As such, these words fail to capture all the activities of marketing. For example,
exchanging requires mechanisms for a transaction, which consist of more than simply a price or place. Exchanging requires, among other things, the transfer of ownership. For example, when you buy a car, you sign documents that transfer the car’s title from the seller to you. That’s part of the exchange process.

Even the term product, which seems pretty obvious, is limited. Does the product include services that come with your new car purchase (such as free maintenance for a certain period of time on some models)? Or does the product mean only the car itself?

5.1.1 Value

Value is at the center of everything marketing does. What does value mean?

Source: Sylor.com

Marketing is composed of four activities centered on customer value: creating, communicating, delivering, and exchanging value.

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

Furthermore, our goal as marketers is to create a profitable exchange for consumers. By profitable, we mean that the consumer's personal value equation is positive. The personal value equation is:

Value = benefits received – [price + hassle]

Hassle is the time and effort the consumer puts into the shopping process. The equation is a personal one because how each consumer judges the benefits of a product will vary, as will the time and effort he or she puts into shopping. Value, then, varies for each consumer.

One way to think of value is to think of a meal in a restaurant. If you and three friends go to a restaurant and order the same dish, each of you will like it more or less depending on your own personal tastes. Yet the dish was exactly the same, priced the same, and served exactly the same way. Because our tastes varied, the benefits you received varied. Therefore the value varied for each of you. That's why we call it a personal value equation.

Value varies from customer to customer based on each customer's needs. The marketing concept, a philosophy underlying all that marketers do, requires that marketers seek to satisfy customer wants and needs. Firms operating with that philosophy are said to be market oriented. At the same time, market oriented
firms recognize that exchange must be profitable for the company to be successful. A marketing orientation is not an excuse to fail to make profit.

Firms don't always embrace the marketing concept and a market orientation. Beginning with the Industrial Revolution in the late 1800s, companies were production oriented. They believed that the best way to compete was through product innovation and by reducing production costs. In other words, companies thought that good products would sell themselves. Perhaps the best example of such a product was Henry Ford's Model A automobile, the first product of his production line innovation. Ford's production line made the automobile cheap and affordable for just about everyone. The production era lasted until the 1920s, when production-capacity growth began to outpace demand growth and new
strategies were called for.

From the 1920s until after World War II, companies tended to be selling oriented, meaning they believed it was necessary to push their products by heavily emphasizing advertising and selling. Consumers during the Great Depression and World War II did not have as much money, so the competition for their available dollars was stiff. The result was this push approach during the selling era.

In the post–World War II environment, demand for goods increased as the economy soared. Some products, limited in supply during World War II, were now plentiful to the point of surplus. Consumers had many choices available to them, so companies had to find new ways to compete. During this time, the marketing concept was developed, and from about 1950 to 1990, businesses operated in the marketing era.

So what era would we say we're in now? Some call it the value era: a time when companies emphasize creating value for customers. Is that really different from the marketing era, in which the emphasis was on fulfilling the marketing concept? May be not. Others call today's business environment the one-to-one era, meaning that the way to compete is to build relationships with customers one at a time and seek to serve each customer's needs individually. Yet is that substantially different from the marketing concept?

Still some argue that this is the time of service-dominant logic and that we are in the service dominant logic era. Service-dominant logic is an approach to business that recognizes that consumers want value no matter how it is delivered, whether it's via a product, a service, or a combination of the two. Although there is merit in this belief, there is also merit to the value approach and the one-to-one approach. As you will see throughout this book, all three are intertwined. Perhaps, then, the name for this era has yet to be devised.

Whatever era we're in now, most historians would agree that defining and labeling it is difficult. Value and one-to-one are both natural extensions of the marketing concept, so we may still be in the marketing era. To make matters more confusing, not all companies adopt the philosophy of the era. For example, in the 1800s Singer and National Cash Register adopted strategies rooted in sales, so they operated in the selling era forty years before it existed. Some companies are still in the selling era. Many consider automobile manufacturers to be in the trouble they are in because they work too hard to sell or push product and not hard enough on delivering value.

5.1.2 Creating Offerings That Have Value

Marketing creates those goods and services that the company offers at a price to its customers or clients. That entire bundle consisting of the tangible good, the intangible service, and the price is the company's offering. When you compare one car to another, for example, you can evaluate each of these dimensions—the tangible, the intangible, and the price—separately. However, you can't buy one manufacturer's car, another manufacturer's service, and a third manufacturer's price when you actually make a choice. Together, the three make up a single firm's offer.

Marketing people do not create the offering alone. For example, when the Laptops were created, company's engineers were also involved in its design. Company's financial personnel had to review the costs of producing the offering and provide input on how it should be priced. Company's operations group needed to evaluate the manufacturing requirements the laptop would need. The company's logistics managers had to evaluate the cost and timing of getting the offering to retailers and consumers. Company's dealers also likely provided input regarding the Laptop's service policies and warranty structure. Marketing, however, has the biggest responsibility because it is marketing's responsibility to ensure that the laptop delivers value.

5.1.3 Communicating Offerings

Communicating is a broad term in marketing that means describing the offering and its value to your potential and current customers, as well as learning from customers what it is they want and like. Sometimes communicating means educating potential customers about the value of an offering, and sometimes it means simply making customers aware of where they can find a product. Communicating also means that customers get a chance to tell the company what they think. Today companies are finding that to be successful, they need a more interactive dialog with their customers. For example, Comcast customer service representatives will watch consumer Web sites like Twitter. When they observe consumers “tweeting” (posting) problems with Comcast, the customer service reps will post resolutions to their problems. Similarly, Ruchi soya has created consumer groups that talk among themselves on Ruchi Soya-monitored Web sites. The company might post questions, send samples, or engage in other activities designed to solicit feedback from customers.

Companies use many forms of communication, including advertising on the Web or television, on billboards or in magazines, through product placements in movies, and through salespeople. Other forms of communication include attempting to have news media cover the company’s actions (part of public relations [PR]), participating in special events.

5.1.4 Delivering Offerings

Marketing can’t just promise value, it also has to deliver value. Delivering an offering that has value is much more than simply getting the product into the hands of the user; it is also making sure that the user understands how to get the most out of the product and is taken care of if he or she requires service later. Value is delivered in part through a company’s supply chain. The supply chain includes a number of organizations and functions that mine, make, assemble, or deliver materials and products from a manufacturer to consumers. The actual group of organizations can vary greatly from industry to industry, and include wholesalers, transportation companies, and retailers. Logistics, or the actual transportation and storage of materials and products, is the primary component of supply chain management.

5.1.5 THE MARKETING CONCEPT

The marketing concept holds that the key to achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors1. Under marketing concept, the emphasis is on selling satisfaction and not merely on the selling a product. The objective of marketing is not the maximization of profitable sales volume, but profits through the satisfaction of customers. The consumer is the pivot point and all marketing activities operate around this central point. It is, therefore, essential that the entrepreneurs identify the customers, establish a rapport with them, identify their needs and deliver the goods and services that would meet their requirements.

The components of marketing concept are as under:

a. Satisfaction of Customers: In the modern era, the customer is the focus of the organization. The organization should aim at producing those goods and services, which will lead to satisfaction of customers.

b. Integrated marketing: The functions of production, finance and marketing should be integrated to satisfy the needs and expectations of customers.

c. Profitable sales volume: Marketing is successful only when it is capable of maximizing profitable sales and achieves long-run customer satisfaction.

5.1.6 MARKETING VERSUS SELLING

The basic difference between marketing and selling lies in the attitude towards business. The selling concept takes an inside-out perspective. It starts with the factory, focuses on the company's existing products, and calls for heavy selling and promoting to produce profitable sales. The marketing concept takes an outside-in perspective. It starts with a well-defined market, focuses on customer needs, coordinates all the activities that will affect customers, and produces profits through creating customer satisfaction.

Starting point	Focus	Means	Ends
Selling Concept			
Factory →	Products →	Selling and Promoting →	Profits through sales volume
Marketing Concept			
Market →	Customer Needs →	Coordinated marketing →	Profits through customer satisfaction

Marketing vs.	Selling
▪ Focuses on Customer's needs. ▪ Customer enjoys supreme importance. ▪ Converting customer's needs into product. ▪ Profits through customer satisfaction. ▪ Emphasis is given on product planning and development to match products with the market. ▪ Integrated approach to marketing is practiced. ▪ The principle of caveat vendor (let the seller beware) is followed.	▪ Focuses on seller's needs. ▪ Product enjoys supreme importance. ▪ Converting product into cash. ▪ Profits through sales volume. ▪ Emphasis is placed on sale of products already produced. ▪ Fragmented approach to selling is practiced. ▪ The principle of caveat emptor (let the buyer beware) is followed.

1.2 MARKETING RESEARCH

Marketing Research has two words, viz., marketing and research. Marketing means buying and selling activities and research means a systematic and complete study of a problem. It is done by experts. It uses scientific methods.

Thus, we can say, "Marketing Research is a systematic method of collecting, recording and analyzing of data, which is used to solve marketing problems."

A company faces many marketing problems. It faces problems about consumers, product, market competition, sales promotion, etc. Marketing research helps to solve these problems.

Marketing research is a systematic process. It first collects data (information) about the marketing problem. Secondly, it records this data. Then it analysis (studies) this data and draws conclusions about it. After that, it gives suggestions (advice) for solving the marketing-problem. So, marketing research helps to solve the marketing problems quickly, correctly and systematically.

Marketing research collects full information about consumers. It finds out the needs and expectations of the consumers. So the company produces the goods according to the needs and expectations of the consumers.

Marketing research helps the company to make its production and marketing policies. It helps the company to introduce new products in the market. It helps to identify new-markets. Marketing research also collects full information about the competitors. The company uses this information to fight competition. It also helps the marketing manager to take decisions.

Marketing research is a special branch and soul of 'Marketing Management'. It is of recent origin and widely used by manufacturers, exporters, distributors and service organisations.

Marketing research is very systematic, scientific, objective and organised. It has a wide scope. It includes product research, consumer research, packaging research, pricing research, etc. Marketing research is a continuous process. It has a few limitations. However, a company cannot survive and succeed without it.

5.2.1 Definition of Marketing Research

According to American Marketing Association (AMA), “Marketing Research is the systematic gathering, recording and analysing of data about problems relating to the marketing of goods and services.”

According to Philip Kotler “Marketing research is a systematic problem analysis, model building and fact finding for the purpose of improved decision-making and control in the marketing of goods and services.”

According to Paul Green and Donald Tull “Marketing research is the systematic and objective search for, and analysis of, information relevant to the identification and solution of any problem in the field of marketing.”

5.2.2 Features of Marketing Research

The salient characteristics or features of marketing research are as follows:

1.Wide and comprehensive scope - Marketing research has a very wide scope. It includes product research, packaging research, pricing research, market research, sales research, etc. It is used to solve marketing problems and to take marketing decisions. It is used to make marketing policies. It is also used to introduce new products in the market and to identify new markets. Marketing research is used to select channels of distribution, in advertising strategy, for sales promotion measures, etc.

2. Systematic and scientific - Marketing research is conducted in a step-by-step manner. It is conducted in an orderly fashion. Therefore, it is systematic. Marketing research uses scientific methods. Thus, it is also scientific.

3. Science and art : A Science collects knowledge (data) while an Art uses this knowledge for solving problems. Marketing research first collects data. It then uses this data for solving marketing problems. Therefore, it is both, a Science and an Art.

4. Collects and analyzes data - Marketing research gathers data accurately and objectively. It first collects reliable data and then analyses it systematically and critically.

5.Continuous and dynamic process - The company faces marketing problems throughout the year. So, Marketing research is conducted continuously. It continuously collects up-to-date data for solving the marketing problems. Large companies have their own marketing research departments. They conduct Marketing research continuously throughout the year. Therefore, Marketing research is a continuous process. It is a dynamic process because it goes on changing. It does not remain static (the same). It uses new methods and techniques for collecting, recording and analyzing the data.

6. Tool for decision-making - The marketing manager has to take many decisions. For this, he requires a lot of data. Marketing research provides correct and up-to-date data to the marketing manager. This helps him to take quick and correct decisions. Therefore, Marketing research is an important tool for decision-making.

7. Benefits company and consumers - Marketing research is useful to the company in many ways. It increases the sales and profits of the company. It helps the company to fight competition and boost its goodwill in the market. It reduces the marketing risks. In short, Marketing research brings success to the company. It also brings the company closer to the consumers. It gives convenience and satisfaction to the consumers.
8. Similar to military intelligence - Marketing research is a commercial intelligence-gathering activity. It works similar to military intelligence. Marketing intelligence first makes a systematic study and only then takes a business action. Marketing research collects reliable data about the consumers, the competitors, the market, etc. This data is then organised and used for planning, decision-making and problem solving. This data is also further used for introducing new products and services in the market.

9. Applied research - Applied research is used for solving problems. Marketing research is used for solving marketing problems. Therefore, we can say that, Marketing research is also an

applied research. It has a practical value because it is used for solving present and future problems.

10. Connected with MIS - Marketing research is a component of Marketing Information System (MIS). Marketing research and MIS are interrelated. Both are used to solve marketing problems and to take marketing decisions.

11. Reduces gap between producers and consumers - Marketing research informs producers about the needs and wants of the consumers. The producers produce goods according to the needs and demands of the consumers. This brings satisfaction to the consumers and in return producers make good profits. So, Marketing research reduces the gap between the producers and the consumers.

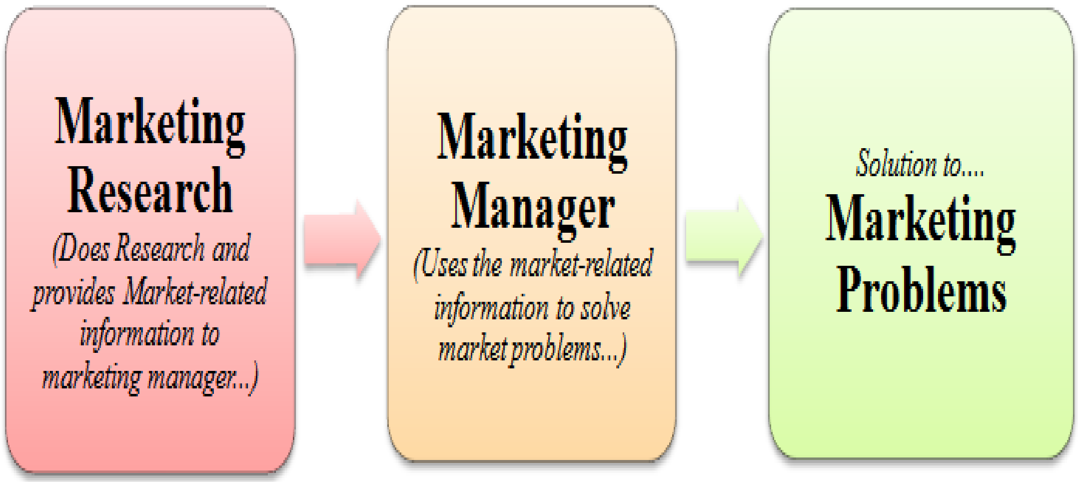
12. Uses different methods - Marketing research uses three methods for collecting data, viz., Survey Method, Experiment Method and Observation Method. All three methods are scientific. The researcher has to use a suitable method for collecting a reliable data.

13. Has few limitations - Marketing research has few limitations too. It is not an exact science. So, it does not give accurate results. It provides suggestions and not solutions. It is also a costly and time-consuming process.

14. Accurate data collection and critical analysis - Marketing research gives much importance to accurate data collection and its critical analysis. Thus, in a Marketing research, the data must be first collected accurately. That is, collected data or gathered information must be accurate, reliable and relevant. Later, this information must be systematically and critically examined before making any decisions.

5.2.3 Objectives of Marketing Research

The main objective of marketing research (MR) is to provide information to the marketing manager. The marketing manager uses this information to make marketing decision and to solve marketing problems.



The purposes or objectives of marketing research are listed below.

1. Identify the consumer response to the company's product.

2. Know the consumers' needs and expectations.

3. Seek maximum information about the consumer, i.e. the know consumers' income range, their location, buying behavior, etc.

4. Know the nature and extent of competition and also the strength and weaknesses of the competitors.

5. Check the reaction of the dealers to the company policies.

6. Evaluate the reputation of the company in the market.

7. Identify and solve the marketing problems of the company.

8. Search for new marketing opportunities.

9. Find out alternative uses of the existing products.

10. Estimate the cost of marketing of goods and service.
11. Help company to introduce new products in the market and improve its existing products.

12. Assist a company to select a suitable channel of distribution and test the effectiveness of this distribution channel.

13. Facilitate company to select suitable sales promotion measures and test the effectiveness of the sales promotion techniques.

14. Aids the company to select a suitable media for advertising and find out the overall impact of advertising.

15. Help the marketing manager to decide about the quality of the product, product modification, packaging, pricing, branding, etc.

16. Provide information to top level of management for making objective, policies, plans and strategies.

17. Provide prerequisite information to forecast the marketing budget.

18. Supply up-to-date information about market trends, demand and supply position, etc.

19. Forecast the future sales and business conditions.

Marketing research is very useful to government, manufacturers, wholesalers, retailers, consumers and to entire society.

5.2.4 Functions of marketing research

The following image depicts five basic functions of marketing research.

The five main functions of marketing research (MR) are:

1. Description,
2. Evaluation,

3. Explanation,
4. Prediction, and
5. Aid in decision making.

Now let's discuss these prominent functions of marketing research.

1. Description : Marketing research gives full description about the consumers. It describes their age, sex, education, income, etc. It also gives a description about the competitors and the market situation. This description is used to take marketing decisions and solve marketing problems.

2. Evaluation : Marketing research helps to evaluate the company's performance. It helps to evaluate the company's production and marketing policies. It finds out the customer reaction to the quality of the product, price, packaging, advertising, sales, promotions' techniques, etc. If the consumer reactions are bad, then the company must change its policies. It also compares the company's policies with the competitors' policies.

3. Explanation : Marketing research gives explanations (answers) for all the marketing problems. For example, it answers in detail, why are the sales falling, why are the retailers giving negative reaction, etc. It gives all the causes or reasons for the problem. It also tells how to solve the problem.

4. Prediction : Marketing research also gives predictions. Predictions mean to forecast or guess about the future. It gives a prediction about the future sales, future market opportunities, future risks, future marketing environment, future consumer behavior, etc. All the prediction may not be correct. However, these predictions help the company to make future plans and policies. It helps to take advantage of future opportunities. It also helps to avoid future risks.

5. Aid in decision making : Marketing research helps the marketing manager to take decisions. It provides all the concerned data, which is necessary to take decisions. Decision making means to select a course of action from two or more alternatives. Decision making requires up-to-date and correct data. MR helps the marketing manager to take decisions. It provides all the data, which is necessary to take decisions. It also provides alternative course of action. It gives the merits and demerits of each course of action. It also helps the marketing manager to choose the best course of action. It helps the marketing manager in all aspects of distribution, selection of sales promotion techniques, selection of media for advertising, etc. So, MR helps to take quick and correct marketing decisions. It also helps to implement the marketing decisions.

5.2.5 Need For Marketing Research

In recent years, the scope of business has expanded from local to global level. The size of the production has greatly increased. The production is now centralized, and the consumption centers are widespread. This has created a wide gap between the manufacturer and consumer. This has caused basic problems like what to produce and what to sell.

There is a need for marketing research to solve these problems.

There is a need for marketing research, to:

1. Collect latest data on demand and supply in the market.
2. Find out new market and create more demand for goods.
3. Analyze the extent of competition.
4. Find out the best technology for production, packaging, etc.
5. Fill information gap between producers and consumers.
6. Collect consumer-related data for decision making.
7. Supply latest and reliable data to decision makers.
8. Study changing consumer patterns.

Now let’s discuss above points highlighting the need for marketing research.

1. Expansion of market

Due to development in means of transport and communication, market has expanded from local to global level. The structure of market has also changed. There is a need for marketing research to collect latest data on demand and supply in the market, extent of competition, etc. This data is used to make production & marketing policies and strategies.

2. Large-scale production

Automation has helped to produce goods of standard quality on a large scale. There is a need for marketing research to find out new market or to create more demands for these goods.

3. Increased competition

Competition is unavoidable in an open and globalized economy. It has endangered the survival and growth prospects of many firms. There is a need for marketing research to analyze the extent of competition. It also provides steps to fight competition.

4. Growth of science and technology

Increasing use of science and technology has helped to reduce the cost of production and improve the quality of production. There is a need for marketing research to find out the best technology for production, packaging, data, storing, etc.

5. Information gap

Due to centralized production and decentralized consumption, there is an information gap between producer and consumer. This information gap can be filled by marketing research. Hence it is needed.

6. Role of consumerism

Today, consumers are organised. They are aware of their rights and duties. They are now more selective. They will not accept an inferior quality product. Consumer research is needed to collect demographic and psychological data about consumers. This data is used for decision making. There is a need for marketing research as consumer research is a part of it.

7. Information needs

There is a need for marketing research to supply latest and reliable data to the decision makers. This will improve the quality and success rate of decisions.

8. Consumer pattern

Consumers are now more quality conscious. They are willing to pay a higher price but for a better quality. There is a need for marketing research to study the likes and dislikes, preferences and interest of rural and urban consumers.

5.2.6 Importance of Marketing Research (MR)

A business faces many types of marketing problems. It faces problems about its product, price, place and promotion. It also faces problems about product design, packaging, branding, marketing channels, advertising, etc. Some marketing problems are very serious. Therefore, in the marketing, managers use marketing research as an important tool to solve marketing problems.

The need and importance of marketing research are depicted below.

Marketing research helps company and decision makers as follows:

1. Marketing research (MR) provides valuable data.
2. It studies and provides data about consumer behavior.
3. It helps to select suitable sales promotional techniques.
4. It supplies market-related information.
5. It helps a company to evaluate its marketing performance.
6. It also has miscellaneous needs and importance.

1. Provides valuable data

Marketing research provides valuable data to the decision makers. It provides data about demand, supply, consumer behavior, competition, etc. This data is used for decision making. This data improves the quality of decisions. It makes the decision very successful.

2. Studies consumer behaviour

Marketing research provides data about consumer behavior. It provides data about age, incomes, likes, dislikes, etc. of the consumers. It also finds out the opinions of the consumers about a company's product. This data is used to make production and marketing policies.

3. Selects promotional techniques

Marketing research helps the company to select suitable sales promotion techniques. It helps to select marketing techniques. It helps to select proper media for advertising. It helps to solve the problems of after-sales service. It also helps to prepare the budget for advertising and sales promotion.

4. Supplies marketing information

Marketing research supplies data about the market situation.

This market-related data is used to find out:

1. The present and future demand and supply position.
2. The level of competition and steps taken to control it.
3. Market opportunities.
4. The cause of fall in sales level.

5. Evaluates marketing performance

Marketing research helps the company to evaluate its marketing performance and to take steps to improve it.

Marketing research is used to find out the effect of price, package, brand name, etc. on sales. It is used to find consumers' reaction towards the company's product. It is used to evaluate the inventory and pricing policies. It is also used to evaluate the effectiveness of advertising, sales promotion techniques, channels of distribution, etc.

6. Miscellaneous needs and importance

Miscellaneous needs and importance of marketing research are as follows:

- Marketing research improves the efficiency of the marketing department. This creates goodwill and good reputation.
- It helps the marketing manager to take the rational and effective decisions.
- It helps to choose suitable staff for doing research.

It is used to make growth and expansions programs.

It benefits all i.e. it benefits the company, distributor, advertising agency, consumer, government and the entire society.

So, marketing research is very helpful to everyone. But it is most useful to a manufacturer because it helps to answer the basic questions, i.e. what, where, when, who, whom and how to sell?

5.2.7 Limitations of Marketing Research

Though marketing research (MR) has many advantages, it also has many limitations or disadvantages.

1. Marketing research studies consumer behavior and marketing environment. Since these factors keep on changing, it cannot give exact information.
2. MR is also a social science. So, it cannot give exact solutions.
3. It cannot be an alternative to decision making. In other words, it cannot replace decision making. It aids in decision-making. It can improve the quality of decisions. However, it cannot guarantee a 100% success.
4. It can reduce the business risks. However, it cannot totally eliminate all these risks.

The demerits or limitations of marketing research are depicted below.

The limitations or disadvantages of marketing research are as follows:

1. Marketing research (MR) is a costly affair.
2. It is also lengthy and time-consuming.
3. It has a limited scope.
4. It has a limited practical value.
5. It can't predict consumer behavior.
6. It can't give 100% accurate results.
7. It provides suggestions and not solutions.
8. Non-availability of qualified and experienced staff affects its quality.
9. It uses a fragmented approach.
10. It can be misused.
11. Non-availability of a reliable data affects it.
12. It is resistant to marketing managers.

Now let's discuss above listed limitations of marketing research.

- Costly : Marketing research is a costly affair. It needs a lot of money to conduct various market research activities. Huge funds are required to pay salaries, prepare questionnaires, conduct surveys, prepare reports, etc. It is not a viable choice for small businesses. It is suitable only to large companies who can afford its cost.
- Time consuming : Marketing research is a lengthy and time-consuming process. This process involves many important steps. All these steps are crucial and not even a single step can be neglected or avoided. In other words, there are no short-cuts in MR. Generally, it takes at least three to six months to solve a marketing problem. Therefore, it cannot be used in urgent or emergency situations.
- Limited scope : Marketing research solves many business-related problems. However, it cannot solve all business problems. It cannot solve problems related to consumer behavior, income and expenditure relationship, etc. Thus, its scope is limited.
- Limited practical value : Marketing research is only an academic exercise. It is mainly based on a hypothetical approach. It gives theoretical solutions. It does not give realistic solutions to real-life problems. Its solutions look good on paper but are harder to implement in a real sense. Thus, it has a limited practical value.
- Can't predict consumer behavior : Marketing research collects data about consumer behavior. However, this data is not accurate because consumer behavior cannot be predicted. It keeps on changing according to the time and moods of the consumers. Consumer behavior is also very complex. It is influenced by social, religious, family, economic and other factors. It is very difficult to study these factors.
- No accurate results : Marketing research is not a physical science like physics, chemistry, biology, etc. It is a social science. It studies consumer behavior and marketing environment. These factors are very unpredictable. Therefore, it does not give accurate results. It gives results, but it cannot give 100% correct results.
- Provides suggestions and not solutions : Marketing research provides data to the marketing manager. It guides and advises him. It also helps him to solve the marketing problems. However, it does not solve the marketing problem. The marketing manager

solves the marketing problems. So, MR only provides suggestions. It does not provide solutions.

- Non-availability of technical staff : Marketing research is done by researchers. The researchers must be highly qualified and experienced. They must also be hard-working, patient and honest. However, in India, it is very difficult to find good researchers. Generally, it is done by non-experienced and non-technical people. Therefore, MR becomes a costly, time-consuming and unreliable affair. So, its quality is also affected due to non-availability of technical staff.
- Fragmented approach : Marketing research studies a problem only from a particular angle. It does not take an overall view into consideration. There are many causes for a marketing problem. It does not study all causes. It only studies one or two causes. For example, if there is a problem of falling sales. There are many causes for falling sales; like, poor quality, high-price, competition, recession, consumer resistance, etc. It will only study two causes viz; low-quality and high price. It will not study other causes. So, it is not a reliable one.
- Can be misused : Sometimes, marketing research is misused by the company. It is used to delay decisions. It is used to support the views of a particular individual. It is also used to grab power (managerial) in the company.
- Non-availability of reliable data : The quality of the marketing research report depends on the quality of the collected data. If the data is complete, up-to-date and reliable, then the MR report will also be reliable. However, in India, it is very difficult to get full, latest and trustworthy data. So, non-availability of a reliable data is also its limitation.
- Resistance of marketing managers : The marketing managers do not use the suggestions given in the marketing research report. Primarily, they feel that these suggestions are not practical. Secondly, they also feel that their importance will become less if they use these suggestions. There is a conflict between the marketing managers and the researchers.

5.2.7 Steps in marketing research process

Following image depicts the steps in a marketing research process.

The twelve stages or steps in a marketing research process are:

1. Problem identification,
2. Problem definition,
3. Research design,
4. Determining data needs,
5. Determining data sources,
6. Sampling design,
7. Designing questionnaire,
8. Field staff selection,
9. Collection and processing of data,
10. Analysis and interpretation of data,
11. Project reporting and
12. Follow up.

Now let's discuss above steps involved in a marketing research process.

1. Problem identification

The first step in a marketing research process is to identify the problem or opportunity. The problem may be about decrease in sales, increase in competition, expansion of market, etc.

2. Problem definition

The second step in a marketing research process is to define the problem. In this stage, the researcher must understand the problem correctly. He must find out the scope of the problem, the type of information needed, etc. If the problem is not defined properly, then it will result in waste of time, money and resources.

3. Research design

The third step in a marketing research process is to prepare research design.

Research design is a plan for conducting a research. It guides the researcher in data collection. It gives proper direction to the research.

There are three types of research designs:

1. Exploratory research,
2. Descriptive Research and
3. Experimental Research.

All three types are used for marketing research.

4. Determining data needs

The fourth step in a marketing research process is to determine the data needs.

The researcher must consider the following issues:

1. Whether to use primary data or secondary data or both.
2. The accuracy and reliability of the data.
3. The availability of accurate and reliable data.
4. The cost and time required to collect the data.

5. Determining data sources

The fifth step in a marketing research process is to determine the data sources.

The researcher decides the sources of collecting data. The two main sources are secondary data and primary data.

The researcher first collects secondary data. This is because it is easily available and less costly. It is collected by Desk Research. Desk Research can be internal for e.g. collected from company's records or external i.e. acquired from libraries, trade journals, government sources, etc. If the secondary data is not sufficient to solve the marketing problem, then primary data is wheeled.

Collecting primary data is very costly and time consuming. It can be collected by using survey methods, i.e. by doing personal interviews, telephone interviews and mail surveys. It can also be collected by using observational method and experimentation method.

So in this step the researcher decides what source and what method to use for collecting data.

6. Sampling design

The sixth step in a marketing research process is of sampling design.

The Researchers has limited time and other resources. So he cannot contact the total population. That is, he cannot collect information from all the people in the market. Therefore, he selects few persons from the population. These handful persons are called sample respondent. They are considered to represent the total population. The researcher collects data from the sample respondents.

Sampling helps to save time, efforts and cost. It is used to collect primary data. The researcher has to decide about method of sampling, the size-of-sample, etc.

7. Designing questionnaire

The seventh step in a marketing research process is of designing a questionnaire.

In this stage, primary data is collected with the help of a questionnaire. So the researcher has to prepare a questionnaire. A questionnaire is a list of questions. These questions are asked to the respondents for collecting data. The questionnaire must be suitable so that the require data is collected easily, quickly and correctly. It is used for conducting person interview, telephone interviews and mail survey. The researcher must decide about the type of the information required, the type of questioned to be asked, the wordings of the questionnaire, its order, etc.

8. Field staff selection

The eighth step in a marketing research process is of selecting field staff.

After preparing the questionnaire, the researcher selects field interviewers. The field interviewers collect information from the respondents. They must be property trained. Students of psychology and statistics are good for this job.

9. Collection and processing of data

The ninth step in a marketing research process is of collection and processing of data.

In this stage, the data is collected from the respondents. The questionnaire is used for collecting data. In case of mail surveys, the questionnaire is sent to the respondents by post. In case of telephone interviews, the data is collected through telephone. In case of personal interviews, the data is collected by the field interviewers. The researcher can also use observation method and experimentation method for collecting data. The data collected must be reliable and complete. It must also be collected quickly. Secondary data is also collected. The data collected is raw. It cannot be used directly. It has to be processed and organised neatly. That is, the data must be edited, coded, classified and tabulated. Editing helps to remove the unwanted data. Coding, classification and tabulation make the data ready for analysis and interpretation.

10. Analysis and interpretation of data

The tenth step in a marketing research process is of analysis and interpretation of data.

In this stage, the researcher analyzes and interprets the data. That is, he studies the data very careful and draws conclusions from it. These conclusions are then used to solve the marketing problem.

11. Project reporting

The eleventh step in a marketing research process is to prepare a project report.

In this stage, the researcher prepares the final research report. This report contains a title of the report, method used, findings, conclusions and suggestions about how to solve the marketing problem. The language of the report must not be very difficult. The report must be submitted to the marketing executives for recommendations and implementation.

12. Follow up

Finally, the last step in a marketing research process is to do a follow up.

In this stage, the marketing executive makes changes in the product, price, marketing policies, etc. as per the recommendations of the report. Here, the researcher should find out, whether his recommendations are implemented properly or not. He should also figure-out, whether the marketing problem is solved or not.

5.3 Marketing Management

Marketing management is a business discipline which is focused on the practical application of marketing techniques and the management of a firm's marketing resources and activities. Globalization has led firms to market beyond the borders of their home countries, making international marketing highly significant and an integral part of a firm's marketing strategy. Marketing managers are often responsible for influencing the level, timing, and composition of customer demand accepted definition of the term. In part, this is because the role of a marketing manager can vary significantly based on a business's size, corporate culture, and industry context. For example, in a large consumer products company, the marketing manager may act as the overall general manager of his or her assigned product. To create an effective, cost-efficient marketing management strategy, firms must possess a detailed, objective understanding of their own business and the market in which they operate. In analyzing these issues, the discipline of marketing management often overlaps with the related discipline of strategic planning.

Marketing management employs various tools from economics and competitive strategy to analyze the industry context in which the firm operates. These include Porter's five forces, analysis of strategic groups of competitors, value chain analysis and others. Depending on the industry, the regulatory context may also be important to examine in detail.

In competitor analysis, marketers build detailed profiles of each competitor in the market, focusing especially on their relative competitive strengths and weaknesses using SWOT analysis. Marketing managers will examine each competitor's cost structure, sources of profits, resources and competencies, competitive positioning and product differentiation, degree of vertical integration, historical responses to industry developments, and other factors.

Marketing management often finds it necessary to invest in research to collect the data required to perform accurate marketing analysis. As such, they often conduct market research (alternately marketing research) to obtain this information. Marketers employ a variety of techniques to conduct market research, but some of the more common include:

1) Qualitative marketing research, such as focus groups and various types of interviews
2) Quantitative marketing research, such as statistical surveys
3) Experimental techniques such as test markets
4) Observational techniques such as ethnographic (on-site) observation

Marketing managers may also design and oversee various environmental scanning and competitive intelligence processes to help identify trends and inform the company's marketing analysis.

A brand audit is a thorough examination of a brand's current position in an industry compared to its competitors and the examination of its effectiveness. When it comes to brand auditing, five questions should be carefully examined and assessed. These five questions are how well the business' current brand strategy is working, what are the company's established resource strengths and weaknesses, what are its external opportunities and threats, how competitive are the business' prices and costs, how strong is the business' competitive position in comparison to its competitors, and what strategic issues are facing the business.

Generally, when a business is conducting a brand audit, the main goal is to uncover business' resource strengths, deficiencies, best market opportunities, outside threats, future profitability, and its competitive standing in comparison to existing competitors. A brand audit establishes the strategic elements needed to improve brand position and competitive capabilities within the industry. Once a brand is audited, any business that ends up with a strong financial performance and market position is more likely than not to have a properly conceived and effectively executed brand strategy.

A brand audit examines whether a business' share of the market is increasing, decreasing, or stable. It determines if the company's margin of profit is improving, decreasing, and how much it is in comparison to the profit margin of established competitors. Additionally, a brand audit investigates trends in a business' net profits, the return on existing investments, and its established economic value. It determines whether or not the business' entire financial strength and credit rating is improving or getting worse. This kind of audit also assesses a business' image and reputation with its customers. Furthermore, a brand audit seeks to determine whether or not a business is perceived as an industry leader in technology, offering product or service innovations, along with exceptional customer service, among other relevant issues that customers use to decide on a brand of preference.

A brand audit usually focuses on a business' strengths and resource capabilities because these are the elements that enhance its competitiveness. A business' competitive strengths can exist in several forms. Some of these forms include skilled or pertinent expertise, valuable physical assets, valuable human assets, valuable organizational assets, valuable intangible assets, competitive capabilities, achievements and attributes that position the business into a competitive advantage, and alliances or cooperative ventures.

The basic concept of a brand audit is to determine whether a business' resource strengths are competitive assets or competitive liabilities. This type of audit seeks to ensure that a business maintains a distinctive competence that allows it to build and reinforce its competitive advantage. What's more, a successful brand audit seeks to establish what a business capitalizes on best, its level of expertise, resource strengths, and strongest competitive capabilities, while aiming to identify a business' position and future performance.

5.3.1 Marketing strategy

To achieve the desired objectives, marketers typically identify one or more target customer segments which they intend to pursue. Customer segments are often selected as targets because they score highly on two dimensions:

1) The segment is attractive to serve because it is large, growing, makes frequent purchases, is not price sensitive (i.e. is willing to pay high prices), or other factors.
2) The company has the resources and capabilities to compete for the segment's business, can meet their needs better than the competition, and can do so profitably. In fact, a commonly cited definition of marketing is simply "meeting needs profitably."

The implication of selecting target segments is that the business will subsequently allocate more resources to acquire and retain customers in the target segment(s) than it will for other, non-targeted customers. In some cases, the firm may go so far as to turn away customers who are not in its target segment.The doorman at a swanky nightclub, for example, may deny entry to unfashionably dressed individuals because the business has made a strategic decision to target the "high fashion" segment of nightclub patrons.

In conjunction with targeting decisions, marketing managers will identify the desired positioning they want the company, product, or brand to occupy in the target customer's mind. This positioning is often an encapsulation of a key benefit the company's product or service offers that is differentiated and superior to the benefits offered by competitive products. For example, Volvo has traditionally positioned its products in the automobile market in North America in order to be perceived as the leader in "safety", whereas BMW has traditionally positioned its brand to be perceived as the leader in "performance".

Ideally, a firm's positioning can be maintained over a long period of time because the company possesses, or can develop, some form of sustainable competitive advantage. The positioning should also be sufficiently relevant to the target segment such that it will drive the purchasing behavior of target customers.To sum up,the marketing branch of a company is to deal with the selling and popularity of its products among people and its customers,as the central and eventual goal of a company is customer satisfaction and the return of revenue.

Marketing strategy is defined by David Aaker as a process that can allow an organization to concentrate its resources on the optimal opportunities with the goals of increasing sales and achieving a sustainable competitive advantage. Marketing strategy includes all basic and long-term activities in the field of marketing that deal with the analysis of the strategic initial situation of a company and the formulation, evaluation and selection of market-oriented strategies and therefore contribute to the goals of the company and its marketing objectives.

5.3.2 Developing a marketing strategy

Marketing strategies serve as the fundamental underpinning of marketing plans designed to fill market needs and reach marketing objectives. Plans and objectives are generally tested for measurable results. Commonly, marketing strategies are developed as multi-year plans, with a tactical plan detailing specific actions to be accomplished in the current year. Time horizons covered by the marketing plan vary by company, by industry, and by nation, however, time horizons are becoming shorter as the speed of change in the environment increases.[Marketing strategies are dynamic and interactive. They are partially planned and partially unplanned. See strategy dynamics. Marketing strategy needs to take a long term view, and tools such as customer lifetime value models can be very powerful in helping to simulate the effects of strategy on acquisition, revenue per customer and churn rate.

Marketing strategy involves careful and precise scanning of the internal and external environments. Internal environmental factors include the marketing mix and marketing mix modeling, plus performance analysis and strategic constraints. External environmental factors include customer analysis, competitor analysis, target market analysis, as well as evaluation of any elements of the technological, economic, cultural or political/legal environment likely to impact success.[4] A key component of marketing strategy is often to keep marketing in line with a company's overarching mission statement.

Once a thorough environmental scan is complete, a strategic plan can be constructed to identify business alternatives, establish challenging goals, determine the optimal marketing mix to attain these goals, and detail implementation. A final step in developing a marketing strategy is to create a plan to monitor progress and a set of contingencies if problems arise in the implementation of the plan.

Marketing Mix Modeling is often used to help determine the optimal marketing budget and how to allocate across the marketing mix to achieve these strategic goals. Moreover, such models can help allocate spend across a portfolio of brands and manage brands to create value.

5.3.4 Types of strategies

Marketing strategies may differ depending on the unique situation of the individual business. However there are a number of ways of categorizing some generic strategies. A brief description of the most common categorizing schemes is presented below:

Strategies based on market dominance - In this scheme, firms are classified based on their market share or dominance of an industry. Typically there are four types of market dominance strategies:

- Leader
- Challenger
- Follower
- Nicher

According to Shaw, EricMarket introduction strategies

"At introduction, the marketing strategist has two principle strategies to choose from: penetration or niche”

Market Expansion - This strategy looks to grow overall sales in one of two ways: Grow Sales with Existing Products - With this approach the marketer seeks to actively increase the overall sales of products the company currently markets. This can be accomplished by: 1) getting existing customers to buy more; 2) getting potential customers to buy (i.e., those who have yet to buy); or 3) selling current products in new markets.Grow Sales with New Products - With this approach the marketer seeks to achieve objectives through the introduction of new products. This can be accomplished by: 1) introducing updated versions or refinements to existing products; 2) introducing products that are extensions of current products; or 3) introducing new products not previously marketed.Market Share.

Growth - This strategy looks to increase the marketer's overall percentage or share of market. In many cases this can only be accomplished by taking sales away from competitors. Consequently, this strategy often relies on aggressive marketing tactics.Niche Market - This strategy looks to obtain a commanding position within a certain segment of the overall market. Usually the niche market is much smaller in terms of total customers and sales volume than the overall market. Ideally this strategy looks to have the product viewed as being different from companies targeting the larger market. Status Quo - This strategy looks to maintain the marketer's current position in the market, such as maintaining the same level of market share.Market Exit - This strategy looks to remove the product from the organization's product mix. This can be accomplished by: 1) selling the product to another organization, or 2) eliminating the product.

After setting Marketing Objectives and carrying out Market Research, the MAIN marketing strategies or Marketing Mix would be namely: 1) Product-introducing new product, modifying existing product, product development, R&D, etc.2) Promotion-Above/Below the line, Unique Selling Point, Choice of medium to promote, etc.3) Price-Skimming, Penetration pricing policies, etc4) Place-distribution systems, etc. Every marketing strategy can be more or less categorized into the mentioned marketing mix of the "4 Ps".

5.3.5 Other Types of Marketing Strategy

1. Social Marketing:

It refers to the design, implementation and control of programs to increase the acceptability of a social cause or practice among people e.g. No Smoking campaign in Delhi University, publicity campaign for casting vote.

2. Augmented Marketing:

It refers to providing additional services by way of innovative offerings and benefits to the customers to increase his level of satisfaction e.g. free home delivery service by Supermarkets.

3. Direct Marketing:

Marketing through various advertising media that interact directly with consumers, generally calling for the consumer to make a direct response, e.g. Catalogue Selling, Mail-order, Tele-calling and TV shopping.

4. Relationship Marketing:

Marketing through creating, maintaining and enhancing strong long-term relationships with customers in order to win his loyalty e.g. a restaurant can build relationships with customers by sending him wishes and discount offers on his birthdays.

5. Services Marketing:

It is applying the concepts, tools and techniques of marketing to services like banking, insurance, retailing, educational etc.

6. Person Marketing:

It consists of activities undertaken to create, maintain or change attitudes or behavior towards particular people like politicians, sports stars, film stars, professionals to promote their careers and income.

7. Organisation Marketing:

It consists of activities undertaken to create, maintain or change attitudes and behavior of target audiences towards an organisation.

8. Place Marketing:

Place marketing involves activities undertaken to create, maintain, or change attitudes and behavior towards particular places e.g. tourism marketing.

9. Differential Marketing:

A market-coverage strategy in which a firm decides to target different markets through different strategies or offers e.g. Hindustan Unilever offers different types and qualities soaps for different markets and customers.

10. Synchro marketing:

It refers to balancing the fluctuations in irregular demand for a product due to seasons, timings etc, through flexible pricing, promotion and other incentives e.g. heavy off-season discount on woollens may increase its demand to some extent.

11. Concentrated Marketing:

A market-coverage strategy in which a firm focuses on only one or few markets.

12. De-marketing:

Marketing strategies to reduce demand temporarily or permanently, not to destroy demand but only to shift it e.g. Super stores may offer no discounts on Saturdays, Sundays and holidays to reduce over-crowd.

5.3.6 Implementation planning

If the company has obtained an adequate understanding of the customer base and its own competitive position in the industry, marketing managers are able to make their own key strategic decisions and develop a marketing strategy designed to maximize the revenues and profits of the firm. The selected strategy may aim for any of a variety of specific objectives, including optimizing short-term unit margins, revenue growth, market share, long-term profitability, or other goals.
Marketing plan may be part of an overall business plan. Solid marketing strategy is the foundation of a well-written marketing plan. While a marketing plan contains a list of actions, a marketing plan without a sound strategic foundation is of little use.

5.3.7 The marketing planning process

A marketing plan is a comprehensive blueprint which outlines an organization's overall marketing efforts. A marketing process can be realized by the marketing mix.

The marketing plan can function from two points: strategy and tactics (P. Kotler, K.L. Keller). In most organizations, "strategic planning" is an annual process, typically covering just the year ahead. Occasionally, a few organizations may look at a practical plan which stretches three or more years ahead.

5.3.8 Marketing planning aims and objectives

Behind the corporate objectives, which in themselves offer the main context for the marketing plan, will lie the "corporate mission," which in turn provides the context for these corporate objectives. In a sales-oriented organization, the marketing planning function designs incentive pay plans to not only motivate and reward frontline staff fairly but also to align marketing activities with corporate mission. The marketing plan basically aims to make the business provide the solution with the awareness with the expected customers.

This "corporate mission" can be thought of as a definition of what the organization is, or what it does: "Our business is ...". This definition should not be too narrow, or it will constrict the development of the organization; a too rigorous concentration on the view that "We are in the business of making meat-scales," as Ruchi soya was during the early 1900s, might have limited its subsequent development into other areas. On the other hand, it should not be too wide or it will become meaningless; "We want to make a profit" is not too helpful in developing specific plans.

Perhaps the most important factor in successful marketing is the "corporate vision." Surprisingly, it is largely neglected by marketing textbooks, although not by the popular exponents of corporate strategy — indeed, it was perhaps the main theme of the book by Peters and Waterman, in the form of their "Superordinate Goals." "In Search of Excellence" said: "Nothing drives progress like the imagination. The idea precedes the deed." If the organization in general, and its chief executive in particular, has a strong vision of where its future lies, then there is a good chance that the organization will achieve a strong position in its markets (and attain that future). This will be not least because its strategies will be consistent and will be supported by its staff at all levels.

A "traditional" — albeit product-based — format for a "brand reference book" (or, indeed, a "marketing facts book") was suggested by Godley more than three decades ago:

1. Financial data—Facts for this section will come from management accounting, costing and finance sections.
2. Product data—From production, research and development.
3. Sales and distribution data — Sales, packaging, distribution sections.
4. Advertising, sales promotion, merchandising data — Information from these departments.
5. Market data and miscellany — Frommarket research, who would in most cases act as a source for this information. His sources of data, however, assume the resources of a very large organization. In most organizations they would be obtained from a much smaller set of people (and not a few of them would be generated by the marketing manager alone).

It is apparent that a marketing audit can be a complex process, but the aim is simple: "it is only to identify those existing (external and internal) factors which will have a significant impact on the future plans of the company." It is clear that the basic material to be input to the marketing audit should be comprehensive.
Accordingly, the best approach is to accumulate this material continuously, as and when it becomes available; since this avoids the otherwise heavy workload involved in collecting it as

part of the regular, typically annual, planning process itself — when time is usually at a premium.

Even so, the first task of this annual process should be to check that the material held in the current facts book or facts files actually is comprehensive and accurate, and can form a sound basis for the marketing audit itself.

The structure of the facts book will be designed to match the specific needs of the organization, but one simple format — suggested by Malcolm McDonald — may be applicable in many cases. This splits the material into three groups:

1. Review of the marketing environment. A study of the organization's markets, customers, competitors and the overall economic, political, cultural and technical environment; covering developing trends, as well as the current situation.
2. Review of the detailed marketing activity. A study of the company's marketing mix; in terms of the 7 Ps - (see below)
3. Review of the marketing system. A study of the marketing organization, marketing research systems and the current marketing objectives and strategies. The last of these is too frequently ignored. The marketing system itself needs to be regularly questioned, because the validity of the whole marketing plan is reliant upon the accuracy of the input from this system, and `garbage in, garbage out' applies with a vengeance.

- Portfolio planning. In addition, the coordinated planning of the individual products and services can contribute towards the balanced portfolio.
- 80:20 rule. To achieve the maximum impact, the marketing plan must be clear, concise and simple. It needs to concentrate on the 20 percent of products or services, and on the 20 percent of customers, that will account for 80 percent of the volume and 80 percent of the profit.
- 7 Ps: Product, Place, Price and Promotion, Physical Environment, People, Process. The 7 Ps can sometimes divert attention from the customer, but the framework they offer can be very useful in building the action plans.

Is only at this stage (of deciding the marketing objectives) that the active part of the marketing planning process begins. This next stage in marketing planning is indeed the key to the whole marketing process. The "marketing objectives" state just where the company intends to be at some specific time in the future.

James Quinn succinctly defined objectives in general as: Goals (or objectives) state what is to be achieved and when results are to be accomplished, but they do not state "how" the results are to be achieved. They typically relate to what products (or services) will be where in what markets (and must be realistically based on customer behavior in those markets). They are essentially about the match between those "products" and "markets." Objectives for pricing, distribution, advertising and so on are at a lower level, and should not be confused with marketing objectives. They are part of the marketing strategy needed to achieve marketing objectives. To be most effective, objectives should be capable of measurement and therefore "quantifiable." This measurement may be in terms of sales volume, money value, market share, percentage penetration of distribution outlets and so on. An example of such a measurable marketing objective might be "to enter the market with product Y and capture 10 percent of the market by value within one year." As it is quantified it can, within limits, be unequivocally monitored, and corrective action taken as necessary.

The marketing objectives must usually be based, above all, on the organization's financial objectives; converting these financial measurements into the related marketing measurements.He went on to explain his view of the role of "policies," with which strategy is most often confused: "Policies are rules or guidelines that express the 'limits' within which action should occur."Simplifying somewhat, marketing strategies can be seen as the means, or "game plan," by which marketing objectives will be achieved and, in the framework that we have chosen to use, are generally concerned with the 8 P's. Examples are:

1. Price — The amount of money needed to buy products
2. Product — The actual product
3. Promotion (advertising)- Getting the product known
4. Placement — Where the product is sold
5. People — Represent the business
6. Physical environment — The ambiance, mood, or tone of the environment
7. Process — The Value-added services that differentiate the product from the competition (e.g. after-sales service, warranties)
8. Packaging — How the product will be protected

In principle, these strategies describe how the objectives will be achieved. The 7 Ps are a useful framework for deciding how the company's resources will be manipulated (strategically) to achieve the objectives. However, they are not the only framework, and may divert attention from the real issues. The focus of the strategies must be the objectives to be achieved — not the process of planning itself. Only if it fits the needs of these objectives should you choose, as we have done, to use the framework of the 7 Ps.
The strategy statement can take the form of a purely verbal description of the strategic options which have been chosen. Alternatively, and perhaps more positively, it might include a structured list of the major options chosen.

One aspect of strategy which is often overlooked is that of "timing." Exactly when it is the best time for each element of the strategy to be implemented is often critical. Taking the right action at the wrong time can sometimes be almost as bad as taking the wrong action at the right time. Timing is, therefore, an essential part of any plan; and should normally appear as a schedule of planned activities.Having completed this crucial stage of the planning process, you will need to re-check the feasibility of your objectives and strategies in terms of the market share, sales, costs, profits and so on which these demand in practice. As in the rest of the marketing discipline, you will need to employ judgment, experience, market research or anything else which helps you to look at your conclusions from all possible angles.

5.3.9 Detailed plans and programs

At this stage,you will need to develop your overall marketing strategies into detailed plans and program. Although these detailed plans may cover each of the 7 Ps (marketing mix), the focus will vary, depending upon your organization's specific strategies. A product-oriented company will focus its plans for the 7 Ps around each of its products. A market or geographically oriented company will concentrate on each market or geographical area. Each will base its plans upon the detailed needs of its customers, and on the strategies chosen to satisfy these needs. Brochures and Websites are used effectively.

Again, the most important element is, indeed, that of the detailed plans, which spell out exactly what programs and individual activities will take place over the period of the plan (usually over the next year). Without these specified — and preferably quantified — activities the plan cannot be monitored, even in terms of success in meeting its objectives.It is these programs and activities which will then constitute the "marketing" of the organization over the period. As a result, these detailed marketing programs are the most important, practical outcome of the whole planning process. These plans must therefore be:

- Clear - They should be an unambiguous statement of 'exactly' what is to be done.
- Quantified - The predicted outcome of each activity should be, as far as possible, quantified, so that its performance can be monitored.
- Focused - The temptation to proliferate activities beyond the numbers which can be realistically controlled should be avoided. The 80:20 Rule applies in this context to.
- Realistic - They should be achievable.
- Agreed - Those who are to implement them should be committed to them, and agree that they are achievable. The resulting plans should become a working document which will guide the campaigns taking place throughout the organization over the period of the plan. If the marketing plan is to work, every exception to it (throughout the year) must be questioned; and the lessons learnt, to be incorporated in the next year's .

5.3.10 Content of the marketing plan

A marketing plan for a small business typically includes Small Business Administration Description of competitors, including the level of demand for the product or service and the strengths and weaknesses of competitors

1. Description of the product or service, including special features
2. Marketing budget, including the advertising and promotional plan
3. Description of the business location, including advantages and disadvantages for marketing
4. Pricing strategy
5. Market Segmentation

Medium-sized and large organizations

The main contents of a marketing plan are:

1. Executive Summary
2. Situational Analysis
3. Opportunities / Issue Analysis - SWOT Analysis
4. Objectives
5. Marketing Strategy
6. Action Program (the operational marketing plan itself for the period under review)
7. Financial Forecast
8. Controls

In detail, a complete marketing plan typically includes

1. Title Page
2. Executive Summary
3. Current Situation - Macroenvironment
    - economy
    - legal
    - government
    - technology
    - ecological
    - sociocultural
    - supply chain
4. Current Situation - Market Analysis
    - market definition
    - market size
    - market segmentation
    - industry structure and strategic groupings
    - Porter 5 forces analysis
    - competition and market share
    - competitors' strengths and weaknesses
    - market trends
5. Current Situation - Consumer Analysis [5]
    - nature of the buying decision
    - participants
    - demographics
    - psychographics
    - buyer motivation and expectations
    - loyalty segments
6. Current Situation - Internal
    - company resources
        - financial
        - people
        - time
        - skills
    - objectives
        - mission statement and vision statement
        - corporate objectives

        - financial objective
        - marketing objectives
        - long term objectives
        - description of the basic business philosophy
    - corporate culture
7. Summary of Situation Analysis
    - external threats
    - external opportunities
    - internal strengths
    - internal weaknesses
    - Critical success factors in the industry
    - our sustainable competitive advantage
8. Marketing Research
    - information requirements
    - research methodology
    - research results
9. Marketing Strategy - Product
    - product mix
    - product strengths and weaknesses
        - perceptual mapping
    - product life cycle management and new product development
    - Brand name, brand image, and brand equity
    - the augmented product
    - product portfolio analysis
        - B.C.G. Analysis
        - contribution margin analysis
        - G.E. Multi Factoral analysis
        - Quality Function Deployment
10. Marketing Strategy [6] - segmented marketing actions and market share objectives
    - by product
    - by customer segment
    - by geographical market
    - by distribution channel
11. Marketing Strategy - Price
    - pricing objectives
    - pricing method (e.g.: cost plus, demand based, or competitor indexing)
    - pricing strategy (e.g.: skimming, or penetration)
    - discounts and allowances
    - price elasticity and customer sensitivity
    - price zoning
    - break even analysis at various prices
12. Marketing Strategy - Promotion
    - promotional goals
    - promotional mix
    - advertising reach, frequency, flights, theme, and media
    - sales force requirements, techniques, and management

- sales promotion
- publicity and public relations
- electronic promotion (e.g.: web, or telephone)
- word of mouth marketing (buzz)
- viral marketing

13. Marketing Strategy - Distribution
    - geographical coverage
    - distribution channels
    - physical distribution and logistics
    - electronic distribution
14. Implementation
    - personnel requirements
        - assign responsibilities
        - give incentives
        - training on selling methods
    - financial requirements
    - management information systems requirements
    - month-by-month agenda
        - PERT or critical path analysis
    - monitoring results and benchmarks
    - adjustment mechanism
    - contingencies (what ifs)
15. Financial Summary
    - assumptions
    - pro-forma monthly income statement
    - contribution margin analysis
    - breakeven analysis
    - Monte Carlo method
    - ISI: Internet Strategic Intelligence
16. Scenarios
    - prediction of future scenarios
    - plan of action for each scenario
17. Appendix
    - pictures and specifications of the new product
    - results from research already completed

5.3.11 Measurement of progress

The final stage of any marketing planning process is to establish targets (or standards) so that progress can be monitored. Accordingly, it is important to put both quantities and timescales into the marketing objectives (for example, to capture 20 percent by value of the market within two years) and into the corresponding strategies.

Changes in the environment mean that the forecasts often have to be changed. Along with these, the related plans may well also need to be changed. Continuous monitoring of performance, against predetermined targets, represents a most important aspect of this. However, perhaps even more important is the enforced discipline of a regular formal review. Again, as with forecasts, in many cases the best (most realistic) planning cycle will revolve around a quarterly review. Best of all, at least in terms of the quantifiable aspects of the plans, if not the wealth of backing detail, is probably a quarterly rolling review — planning one full year ahead each new quarter. Of course, this does absorb more planning resource; but it also ensures that the plans embody the latest information, and — with attention focused on them so regularly — forces both the plans and their implementation to be realistic.

Plans only have validity if they are actually used to control the progress of a company: their success lies in their implementation, not in the writing'

5.3.12 Marketing Performance analysis

The most important elements of marketing performance, which are normally tracked, are:

A) Sales analysis

Most organizations track their sales results; or, in non-profit organizations for example, the number of clients. The more sophisticated track them in terms of 'sales variance' - the deviation from the target figures — which allows a more immediate picture of deviations to become evident.

`Micro-analysis', which is simply the normal management process of investigating detailed problems, then investigates the individual elements (individual products, sales territories, customers and so on) which are failing to meet targets

B) Market share analysis

Few organizations track market share though it is often an important metric. Though absolute sales might grow in an expanding market, a firm's share of the market can decrease which bodes ill for future sales when the market starts to drop. Where such market share is tracked, there may be a number of aspects which will be followed:

- overall market share
- segment share — that in the specific, targeted segment
- relative share

C) Expense analysis

The key ratio to watch in this area is usually the `marketing expense to sales ratio'; although this may be broken down into other elements (advertising to sales, sales administration to sales, and so on).

D) Financial analysis

The "bottom line" of marketing activities should at least in theory, be the net profit (for all except non-profit organizations, where the comparable emphasis may be on remaining within budgeted costs). There are a number of separate performance figures and key ratios which need to be tracked:

- gross contribution<>net profit
- gross profit<>return on investment
- net contribution<>profit on sales

There can be considerable benefit in comparing these figures with those achieved by other organizations (especially those in the same industry); using, for instance, the figures which can be obtained (in the UK) from `The Centre for Interfirm Comparison'. The most sophisticated use of this approach, however, is typically by those making use of PIMS (Profit Impact of Management Strategies), initiated by the General Electric Company and then developed by Harvard Business School, but now run by the Strategic Planning Institute.

The above performance analyses concentrate on the quantitative measures which are directly related to short-term performance. But there are a number of indirect measures, essentially tracking customer attitudes, which can also indicate the organization's performance in terms of its longer-term marketing strengths and may accordingly be even more important indicators. Some useful measures are:

- market research — including customer panels (which are used to track changes over time)
- lost business — the orders which were lost because, for example, the stock was not available or the product did not meet the customer's exact requirements
- customer complaints — how many customers complain about the products or services, or the organization itself, and about what

E) Use of marketing plans

A formal, written marketing plan is essential; in that it provides an unambiguous reference point for activities throughout the planning period. However, perhaps the most important benefit of these plans is the planning process itself. This typically offers a unique opportunity, a forum, for information-rich and productively focused discussions between the various managers involved. The plan, together with the associated discussions, then provides an agreed context for their subsequent management activities, even for those not described in the plan itself. Additionally, marketing plans are included in business plans, offering data showing investors how the company will grow and most importantly, how they will get a return on investment.

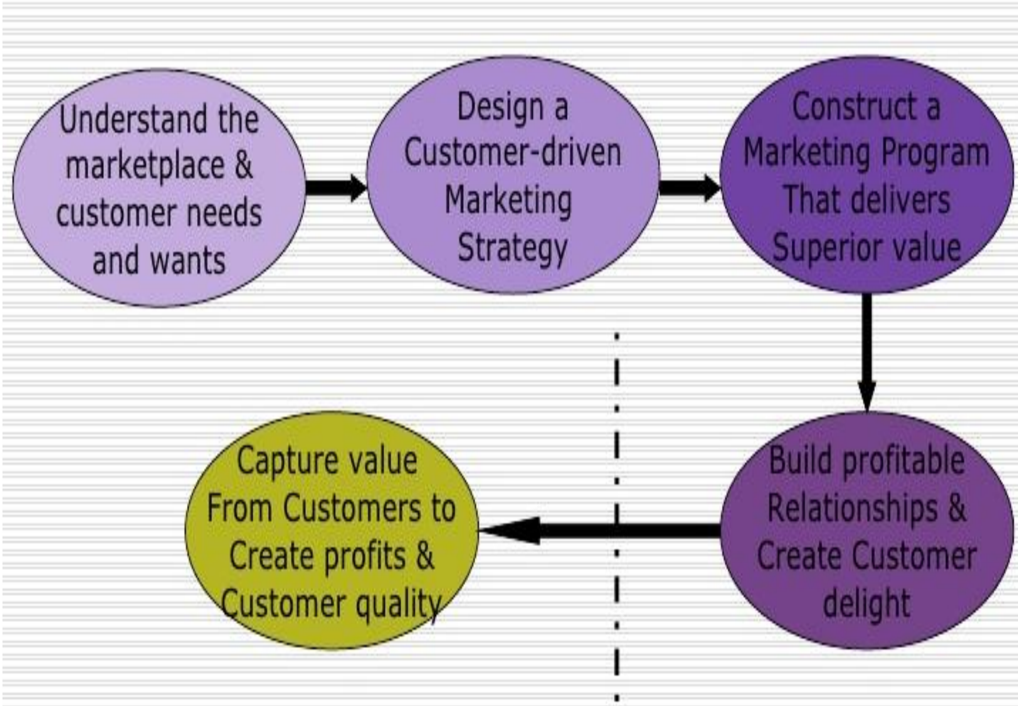
5.3.13 Budgets as managerial tools

The classic quantification of a marketing plan appears in the form of budgets. Because these are so rigorously quantified, they are particularly important. They should, thus, represent an unequivocal projection of actions and expected results. What is more, they should be capable of being monitored accurately; and, indeed, performance against budget is the main (regular) management review process.

The purpose of a marketing budget is, thus, to pull together all the revenues and costs involved in marketing into one comprehensive document. It is a managerial tool that balances what is needed to be spent against what can be afforded, and helps make choices about priorities. It is then used in monitoring performance in practice.

The marketing budget is usually the most powerful tool by which you think through the relationship between desired results and available means. Its starting point should be the marketing strategies and plans, which have already been formulated in the marketing plan itself; although, in practice, the two will run in parallel and will interact. At the very least, the rigorous, highly quantified, budgets may cause a rethink of some of the more optimistic elements of the plans.

5.3.14 Marketing Process Model



5.4 Marketing Mix

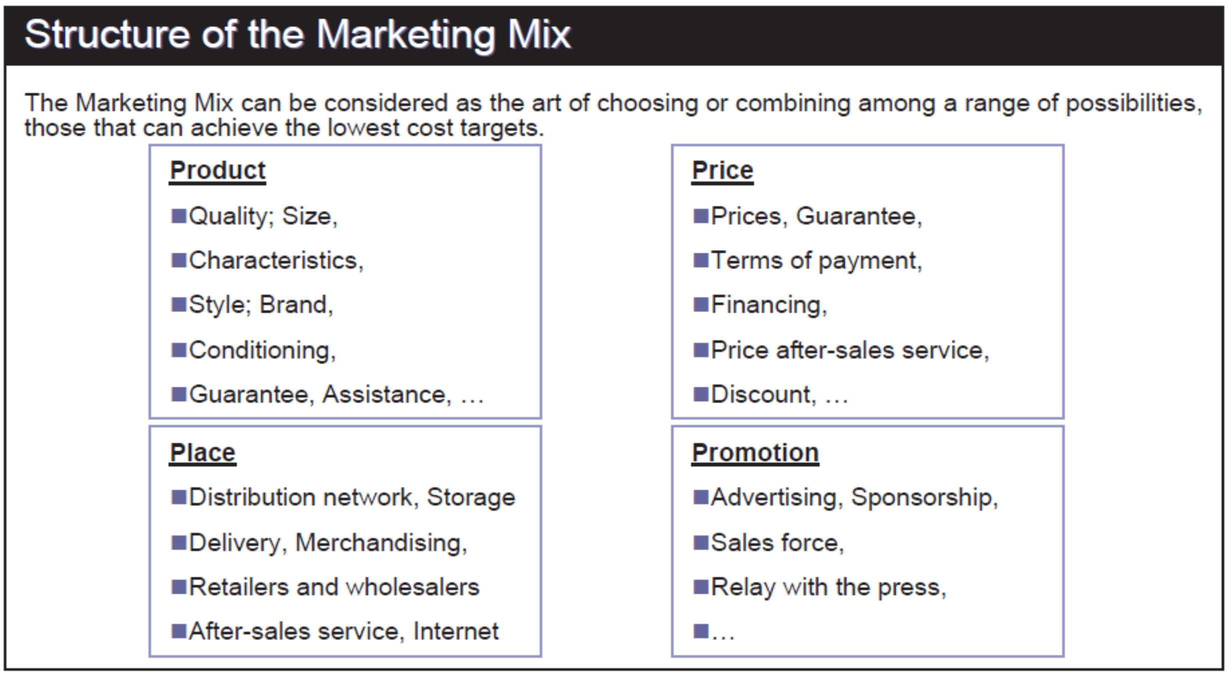
The marketing mix is a business tool used in marketing and by marketing professionals. The marketing mix is often crucial when determining a product or brand's offer, and is often synonymous with the four Ps: price, product, promotion, and place.

Usually referring to E. Jerome McCarthy's 4 P classification for developing an effective marketing strategy, which encompasses: product, price, placement (distribution) and promotion. When it's a consumer-centric marketing mix, it has been extended to include three more Ps: people, process and physical evidence, and three Cs: cost, consumer and competitor. Depending on the industry and the target of the marketing plan, marketing managers will take various approaches to each of the four Ps.

The term "marketing-mix," was first coined by Neil Borden, the president of the American Marketing Association in 1953. It is still used today to make important decisions that lead to the execution of a marketing plan. The various approaches that are used have evolved over time, especially with the increased use of technology.

The marketing mix and the 4 Ps of marketing are often used as synonyms for each other. In fact, they are not necessarily the same thing.

"Marketing mix" is a general phrase used to describe the different kinds of choices organizations have to make in the whole process of bringing a product or service to market. The 4Ps is one way – probably the best-known way – of defining the marketing mix, and was first expressed in 1960 by E J McCarthy.



The 4Ps are:

- Product (or Service).
- Place.
- Price.
- Promotion.

A good way to understand the 4Ps is by the questions that you need to ask to define your marketing mix. Here are some questions that will help you understand and define each of the four elements:

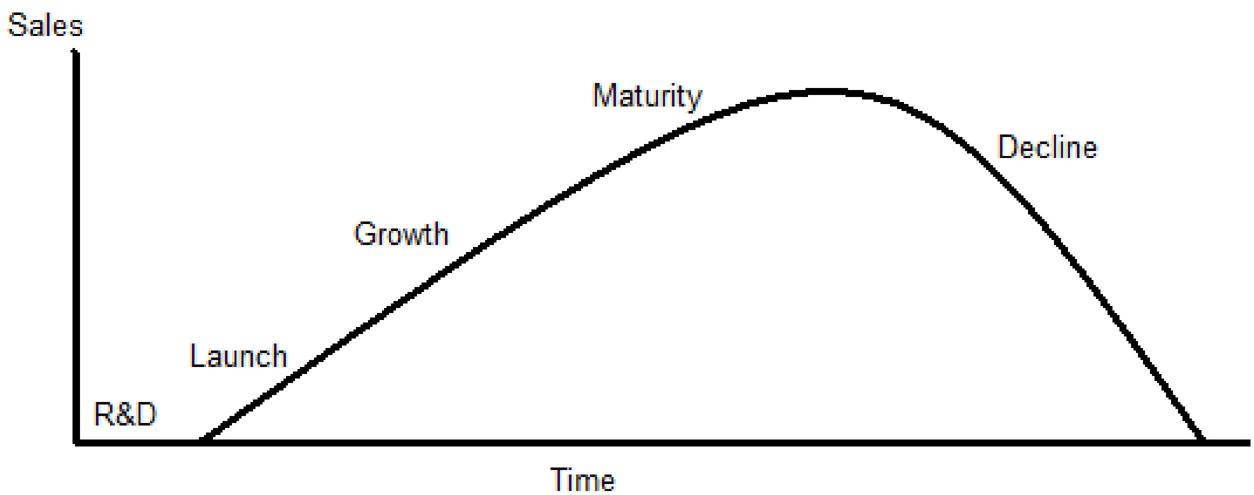
<u>Product/Service</u>

- What does the customer want from the product/service? What needs does it satisfy?
- What features does it have to meet these needs?
  - Are there any features you've missed out?

- Are you including costly features that the customer won't actually use?
- How and where will the customer use it?
  - What does it look like? How will customers experience it?
  - What size(s), color(s), and so on, should it be?
  - What is it to be called?
  - How is it branded?
  - How is it differentiated versus your competitors?
  - What is the most it can cost to provide, and still be sold sufficiently profitably? (See also Price, below).

5.4.1 Product lifecycle

The product lifecycle looks at the sales of a product over time

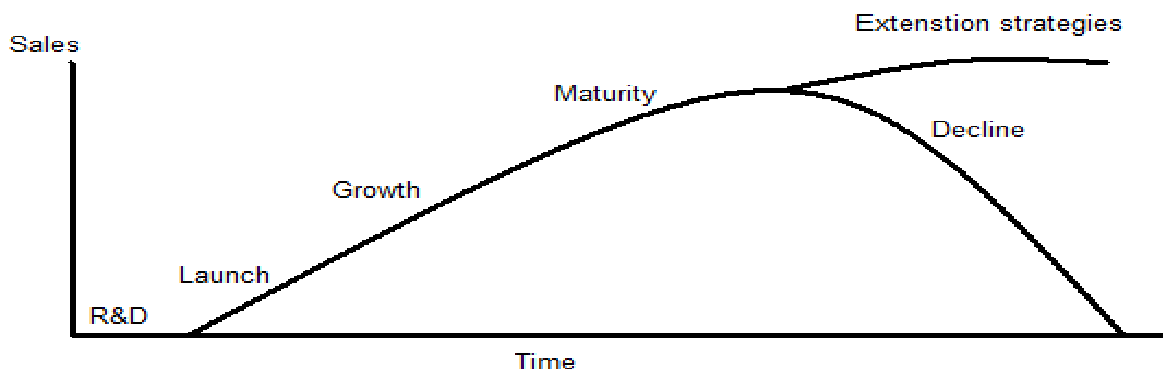


Source : The Times

Extension strategies

Extension strategies should maintain or increase sales. They include:

- Modifying the product
- Reducing the price
- Adding a feature
- Promoting to a different market sector



Source : The Times

5.4.2 Place

1. Where do buyers look for your product or service?
2. If they look in a store, what kind? A specialist boutique or in a supermarket, or both? Or online? Or direct, via a catalogue?
3. How can you access the right distribution channels?
4. Do you need to use a sales force? Or attend trade fairs? Or make online submissions? Or send samples to catalogue companies?
5. What do you competitors do, and how can you learn from that and/or differentiate?
6. Products should be conveniently available for customers to buy
7. ‘Places’ include:
    - Stores
    - Mail order
    - Telesales
    - Internet

5.4.3 Price

What is the value of the product or service to the buyer?

Are there established price points for products or services in this area?

Is the customer price sensitive? Will a small decrease in price gain you extra market share? Or will a small increase be indiscernible, and so gain you extra profit margin?

What discounts should be offered to trade customers, or to other specific segments of your market?

How will your price compare with your competitors?

The price of a product will depend on:

- The cost to make it
- The amount of profit desired
- Other objectives of the business
- The price competitors charge
- The price customers are willing to pay
    - Is there a high demand?
    - Is demand sensitive to changes in price?

5.4.4 Price leaders and takers

Price leader – businesses that dominate the market can often dictate the price charged for a product. Other businesses follow this lead.

Price taker – businesses have to charge the market price. This is often the case where there are many small firms competing against each other.

Pricing strategies & tactics

Skimming	Launching with a high price when there is little competition, then reducing the price later. Often used with technology.
Penetration	Low price charged initially to penetrate the market and build brand loyalty; prrice is then increased e.g. introductory offers on magazines.
Competitive	A similar price is charged to that of competitors' products.
Loss leader	Products may be sold at a price lower than the cost to produce it. Often used by supermarkets to encourage people into the store where it is hoped they will buy other products.
Psychological	A price is set which customers perceive as lower than it is e.g. Rs.39.99 instead of Rs.40.

5.4.5 Distribution

manufacturer of a product is located at one place, its consumersare located at innumerable places spread all over the country or the world. The manufacturer has to ensure the availability of his goodsto the consumers at convenient points for theirpurchase. He may do so directly or, as stated earlier, through a chain of middlemen likedistributors, wholesalers and retailers. The path or route adopted by him for the purposeis known as channel of distribution. A channel of distribution thus, refers to the pathwayused by the manufacturer for transfer of the ownership of goods and its physical transfer to
the consumers and the user/buyers (industrial buyers).

Stanton has also defined it as "A distribution channel consists of the set of people and firms involved in the transfer of title to a product as the product moves from producer to ultimate consumer or business user". Basically it refers to the vital links connecting the manufacturers and producers and the ultimate consumers/users. It includes both the producer and the end user and also the middlemen/agents engaged in the process of transfer of title of goods.

Primarily a channel of distribution performs the following functions:
(a) It helps in establishing a regular contact with the customers and provides them the necessary information relating to the goods.

(b) It provides the facility for inspection of goods by the consumers at convenient points to make their choice.

(c) It facilitates the transfer of ownership as well as the delivery of goods.

(d) It helps in financing by giving credit facility.

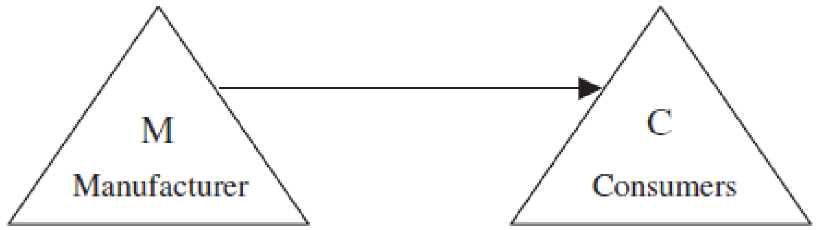
(e) It assists the provision of after sales services, if necessary.

(f) It assumes all risks connected with the carrying out the distribution function.

5.4.6 TYPES OF CHANNELS OF DISTRIBUTION

Generally we do not buy goods directly from the producers. The producers/manufacturersusually use services of one or more middlemen to supply their goods to the consumers.But sometimes, they do have direct contact with the customers with no middlemen inbetween them. This is true more for industrial goods where the customers are highlyknowledgeable and their individual purchases are large. The various channels used fordistribution of consumer goods can be described as follows:

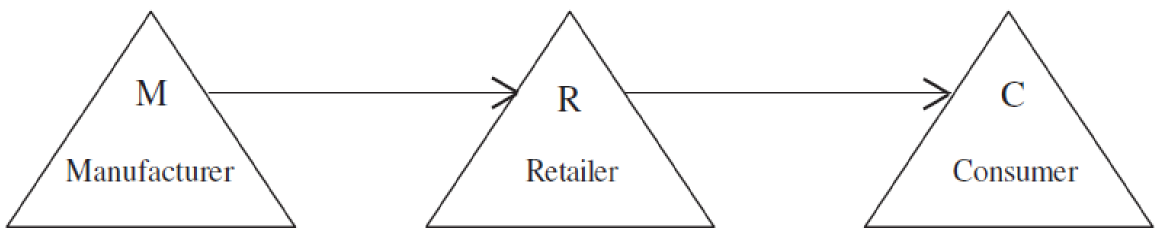
(a) Zero stage channel of distribution



Source: Business Studies

Zero stage distribution channel exists where there is direct sale of goods by the producerto the consumer. This direct contact with the consumer can be made through door-todoorsalesmen, own retail outlets or even through direct mail. Also in case of perishableproducts and certain technical household products, door-to-door sale is an easierway of convincing consumer to make a purchase. Eureka Forbes, for example, sellsits water purifiers directly through their own sales staff.

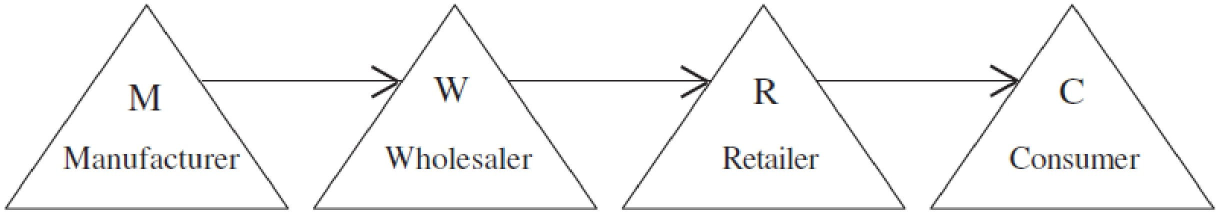
(b) <u>One stage channel of distribution</u>



Source : Business Studies

In this case, there is one middleman i.e., the retailer. The manufacturers sell their goodsto retailers who in turn sell it to the consumers. This type of distribution channel ispreferred by manufacturers of consumer durables like refrigerator, air conditioner,washing machine, etc. where individual purchase involves large amount. It is also usedfor distribution through large scale retailers such as departmental stores (Big Bazaar,Spensors) and super markets.

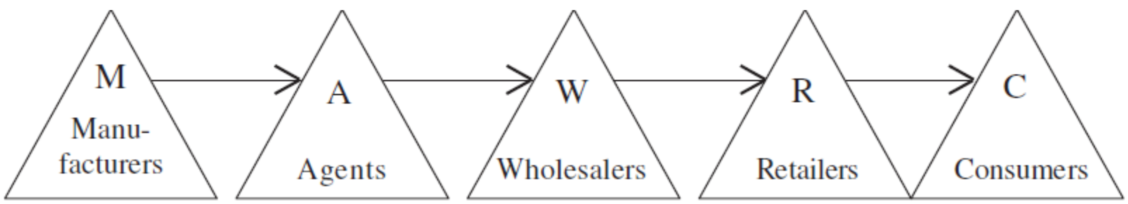
(c) <u>Two stage channel of distribution</u>



Source : Business Studies

This is the most commonly used channel of distribution for the sale of consumer goods.In this case, there are two middlemen used, namely, wholesaler and retailer. This isapplicable to products where markets are spread over a large area, value of individualpurchase is small and the frequency of purchase is high.

(d) <u>Three stage channel of distribution</u>



Source : Business Studies.

When the number of wholesalers used is large and they are scattered throughout thecountry, the manufacturers often use the services of mercantile agents who act as alink between the producer and the wholesaler. They are also known as distributors.

<u>5.4.7 FACTORS AFFECTING THE CHOICE OF DISTRIBUTION CHANNEL</u>

Choice of an appropriate distribution channel is very important as the pricing as well aspromotion strategy are dependent upon the distribution channel selected. Not only that,the route which the product follows in its journey from the manufacturer to the consumeralso involves certain costs. This in turn, affects not only the price of the product but alsothe profits. Choice of inappropriate channels of distribution may result in lesser profits forthe manufacturer and higher price from the consumer. Hence, the manufacturer has to becareful while finalising the channel of distribution to be used. He should pay attention tothe following factors while making his choice.

Nature of the product

Technical/complex? Complex products are often sold by specialist distributors or agents

- Customised? A direct distribution approach often works best for a product that the end consumer wants providing to a distinct specification
- Type of product – e.g. convenience, shopping, speciality
- Desired image for the product – if intermediaries are to be used, then it is essential that those chosen are suitable and relevant for the product.

Nature of the product considerably affects the choice of channelof distribution. In case the product is of technical nature involving a good amount ofpre-sale and after sale services, the sale is generally done through retailers withoutinvolving the wholesalers. But in most of the consumer goods having small value,bought frequently in small quantities, a long channel involving agents, wholesalers andretailers is used as the goods need to be stored at convenient locations. Items liketoiletries, groceries, etc. fall in this category. As against this in case of items likeindustrial machinery, having large value and involving specialised technical service andlong negotiation period, direct sale is preferred.

The market

- Is it geographically spread?
- Does it involve selling overseas (see further below)
- The extent and nature of the competition – which distribution channels and intermediaries do competitors use?

There are many aspects of market which determine the choiceof channel of distribution. Say for example, where the number of buyers is limited,they are concentrated at few locations and their individual purchases are large as is thecase with industrial buyers, direct sale may be the most preferred choice. But in casewhere number of buyers is large with small individual purchase and they arescattered, then need may arise for use of middlemen.

The business

- Its size and scope – e.g. can it afford an in-house sales force?
- Its marketing objectives – revenue or profit maximisation?
- Does it have established distribution network or does it need to extend its distribution option
- How much control does it want over distribution? The longer the channel, the less control is available

A firm having enough financial resources can afford to itsown a distribution force and retail outlet, both. But most business firms prefer not tocreate their own distribution channel and concentrate on manufacturing. The firmswho wish to control the distribution network prefer a shorter channel.

Legal issues

- Are there limitations on sale?
- What are the risks if an intermediary sells the product to an inappropriate customer?

5.4.7 Middlemen Consideration

If right kind of middlemen having the necessaryexperience, contacts, financial strength and integrity are available, their use is preferredas they can ensure success of newly introduced products. Cost factors also have tobe kept in view as all middlemen add their own margin of profit to the price of theproducts. But from experience it is learnt that where the volume of sales are adequate,the use of middlemen is often found economical and less cumbersome as against directsale.

Distribution is one of the classic “4 Ps” of marketing (product, promotion, price, placement a.k.a. “distribution”). It’s a key element in your entire marketing strategy — it helps you expand your reach and grow revenue.

B2B and B2C companies can sell through a single channel or through multiple channels that may include:

- Wholesaler/Distributor
- Direct/Internet
- Direct/Catalog
- Direct/Sales Team
- Value-Added Reseller (VAR)
- Consultant
- Dealer
- Retail
- Sales Agent/Manufacturer’s Rep

Here are three distribution examples:

DIRECT TO END USERS	SELL THROUGH A DEALER NETWORK	SELL THROUGH A VAR (VALUE-ADDED RESELLER)

You have a sales team that sells directly to Fortune 100 companies. You have a second product line for small businesses. Instead of using your sales team, you sell this line directly to end-users through your website and marketing campaigns. You have two markets and two distribution channels.	You sell a product through a geographical network of dealers who sell to end-users in their areas. The dealers may service the product as well. Your dealers are essentially your customers, and you have a strong program to train and support them with marketing campaigns and materials.	You sell a product to a company who bundles it with services or other products and resells it. That company is called a Value Added Reseller (VAR) because it adds value to your product. A VAR may work with an end-user to determine the right products and configurations, and then implement a system that includes your product.

To create a good distribution program, focus on the needs of your end-users.

- If users need personalized service, you can utilize a local dealer network or reseller program to provide that service.
- If your users prefer to buy online, you can create an e-commerce website and fulfillment system and sell direct; you can also sell to another online retailer or distributor that can offer your product on their own sites.
- You can build your own specialized sales team to prospect and close deals directly with customers.

Wholesalers, resellers, retailers, consultants and agents already have resources and relationships to quickly bring your product to market. If you sell through these groups instead of (or in addition to) selling direct, treat the entire channel as a group of customers – and they are, since they're buying your product and reselling it. Understand their needs and deliver strong marketing programs; you'll maximize everyone's revenue in the process.

Best Case	Neutral Case	Worst Case
You've used one or more distribution channels to grow your revenue and market share more quickly than you would have otherwise. Your end-users get the information and service they need before and after the sale.	You're using one or more distribution channels with average success. You may not have as many channel partners as you'd like, but your current system is working moderately well. You devote resources to the program, but you wonder whether you'd be better off	You probably aren't hitting your revenue goals because your distribution strategy is in trouble. With your current system, you may not be effectively reaching your end-users; your prospects probably aren't getting the information and service they need to buy your product.

If you reach your end-user through wholesalers, VARs or other channel partners, you've created many successful marketing programs to drive revenue through your channel and you're committed to their success.	building an alternative distribution method — one that could help you grow more aggressively than you are growing now.	Your current system may also be difficult to manage. For example, channel members may not sell at your suggested price; they don't follow up on leads you deliver; they don't service the product very well and you're taking calls from angry customers.

5.4.8 Distribution Channels Key Concepts & Steps

Before you begin

You can evaluate a new distribution channel or improve your channel marketing / management at any time. It's especially important to think about distribution when you're going after a new customer segment, releasing a new product, or looking for ways to aggressively grow your business.

Evaluate how your end-users need to buy

Your distribution strategy should deliver the information and service your prospects need. For each customer segment, consider:

- How and where they prefer to buy
- Whether they need personalized education and training
- Whether they need additional products or services to be used along with yours
- Whether your product needs to be customized or installed
- Whether your product needs to be serviced

Match end-user needs to a distribution strategy

- If your end-users need a great deal of information and service, your company can deliver it directly through a sales force. You can also build a channel of qualified resellers or consultants. The size of the market and your price will probably dictate which scenario is best.
- If the buying process is fairly straightforward, you can sell direct via a website/catalog or perhaps through a wholesale/retail structure. You may also use an inbound telemarketing group or a field sales team.
- If you need complete control over your product's delivery and service, adding a channel probably isn't right for you.

Identify natural partners

If you want to grow beyond the direct model, look for companies that have relationships with your end-users. If consultants, wholesalers or retailers already reach your customer base, they're natural partners.

Build your distribution channel

If you're setting up a distribution channel with one or more partners, treat it as a sales process:

- Approach the potential channel partner and "sell" the value of the partnership.
- Establish goals, service requirements and reporting requirements.
- Deliver inventory (if necessary) and sales/support materials.
- Train the partner.
- Run promotions and programs to support the partner and help them increase sales.

Minimize pricing conflicts

If you use multiple channels, carefully map out the price for each step in your channel and include a fair profit for each type of partner. Then compare the price that the end-user will pay; if a customer can buy from one channel at a lower price than from another, your partners will rightfully have concerns. Pricing conflict is common, and it can jeopardize your entire strategy, so do your best to map out the price at each step and develop the best solution possible.

Drive revenue through the channel

Service your channel partners as you'd service your best customers and work with them to drive revenue. For example, provide them with marketing funds or materials to promote your products; run campaigns to generate leads and forward them to your partners.

After Distribution Channels

As you're creating a new channel you'll need a pricing strategy and a sales process. When your channel is up and running, you can start launching marketing campaigns to channel partners and end-users.

5.4.9 Promotion

Promotion refers to the process of informing and persuading the consumers to buy certainproduct. By using this process, the marketeers convey persuasive message and informationto its potential customers. The main objective of promotion is to seek buyers' attention
towards the product with a view to:

– arouse his interest in the product;

– inform him about its availability; and

– inform him as to how is it different from others.

It is thus a persuasive communication and also serves as a reminder. A firm uses differenttools for its promotional activities which are as follows :

– Advertising

– Publicity

– Personal selling

– Sales promotion

These are also termed as four elements of a promotion mix. Let us have a brief ideaabout these promotion tools.

1**. Advertising**: Advertising is the most commonly used tool for informing the present and prospective consumers about the product, its quality, features, availability, etc. Itis a paid form of non-personal communication through different media about a product,idea, a service or an organisation by an identified sponsor. It can be done through printmedia like newspaper, magazines, billboards, electronic media like radio, television,etc. It is a very flexible and comparatively low cost tool of promotion.

Advertising or advertizing in business is a form of marketing communication used to encourage, persuade, or manipulate an audience (viewers, readers or listeners; sometimes a specific group) to take or continue to take some action. Most commonly, the desired result is to drive consumer behavior with respect to a commercial offering, although political and ideological advertising is also common. This type of work belongs to a category called affective labor.[citation needed]

In Latin, ad vertere means "to turn toward." The purpose of advertising may also be to reassure employees or shareholders that a company is viable or successful. Advertising messages are usually paid for by sponsors and viewed via various traditional media; including mass media such as newspaper, magazines, television commercial, radio advertisement, outdoor advertising or direct mail; or new media such as blogs, websites or text messages.

Commercial advertisers often seek to generate increased consumption of their products or services through "branding," which involves associating a product name or image with certain qualities in the minds of consumers. Non-commercial advertisers who spend money to advertise items other than a consumer product or service include political parties, interest groups, religious organizations and governmental agencies. Nonprofit organizations may rely on free modes of persuasion, such as a public service announcement (PSA).

Modern advertising was created with the innovative techniques introduced with tobacco advertising in the 1920s, most significantly with the campaigns of Edward Bernays, which is often considered the founder of modern, Madison Avenue advertising.In 2010, spending on advertising was estimated at $142.5 billion in the United States and $467 billion worldwide Internationally, the largest ("big four") advertising conglomerates are Interpublic, Omnicom, Publicis, and WPP.

History

Egyptians used papyrus to make sales messages and wall posters. Commercial messages and political campaign displays have been found in the ruins of Pompeii and ancient Arabia. Lost and found advertising on papyrus was common in Ancient Greece and Ancient Rome. Wall or rock painting for commercial advertising is another manifestation of an ancient advertising form, which is present to this day in many parts of Asia, Africa, and South America. The tradition of wall painting can be traced back to Indian rock art paintings that date back to 4000 BCE.[10] Out-of-home advertising and billboards are the oldest forms of advertising.[citation needed]

As the towns and cities of the Middle Ages began to grow, and the general populace was unable to read, instead of signs that read "cobbler", "miller", "tailor", or "blacksmith" would use an image associated with their trade such as a boot, a suit, a hat, a clock, a diamond, a horse shoe, a candle or even a bag of flour. Fruits and vegetables were sold in the city square from the backs of carts and wagons and their proprietors used street callers (town criers) to announce their whereabouts for the convenience of the customers.

As education became an apparent need and reading, as well as printing, developed advertising expanded to include handbills.[citation needed] In the 18th century[when?] advertisements started to appear in weekly newspapers in England. These early print advertisements were used mainly to promote books and newspapers, which became increasingly affordable with advances in the printing press; and medicines, which were increasingly sought after as disease ravaged Europe. However, false advertising and so-called "quack" advertisements became a problem, which ushered in the regulation of advertising content.

19th century

Thomas J. Barratt from London has been called "the father of modern advertising".[11][12][13] Working for the Pears Soap company, Barratt created an effective advertising campaign for the company products, which involved the use of targeted slogans, images and phrases. One of his slogans, ""Good morning. Have you used Pears' soap?" was famous in its day[when?] and well into the 20th century.[14][15] Under Barratt's guidance, Pears Soap became the world's first legally registered brand[when?] and is therefore the world's oldest continuously existing brand.[citation needed]

An advertising tactic that he used was to associate the Pears brand with high culture and quality. Most famously, he used the painting Bubbles by John Everett Millais as an advertisement by adding a bar of Pears soap into the foreground. (Millais protested at this alteration of his work, but in vain as Barrat had bought the copyright.[16]) Barratt continued this theme with a series of adverts of well groomed middle-class children, associating Pears with domestic comfort and aspirations of high society.

Barrat established Pears Annual in 1891 as a spin-off magazine which promoted contemporary illustration and colour printing and in 1897 added the Pears Cyclopedia a one-volume encyclopedia.[17] From the early 20th century Pears was famous for the annual "Miss Pears" competition in which parents entered their children into the high-profile hunt for a young brand ambassador to be used on packaging and in consumer promotions. He recruited scientists and the celebrities of the day to publicly endorse the product. Lillie Langtry, a British music hall singer and stage actress with a famous ivory complexion, received income as the first woman to endorse a commercial product, advertising Pears Soap.

Barratt introduced many of the crucial ideas that lie behind successful advertising and these were widely circulated in his day. He constantly stressed the importance of a strong and exclusive brand image for Pears and of emphasizing the product's availability through saturation campaigns. He also understood the importance of constantly reevaluating the market for changing tastes and mores, stating in 1907 that "tastes change, fashions change, and the advertiser has to change with them. An idea that was effective a generation ago would fall flat, stale, and unprofitable if presented to the public today. Not that the idea of today is always better than the older idea, but it is different - it hits the present taste."

As the economy expanded across the world during the 19th century, advertising grew alongside. In the United States, the success of this advertising format eventually led to the growth of mail-order advertising.

In June 1836, French newspaper La Presse was the first to include paid advertising in its pages, allowing it to lower its price, extend its readership and increase its profitability and the formula was soon copied by all titles. Around 1840, Volney B. Palmer established the roots of the modern day advertising agency in Philadelphia. In 1842 Palmer bought large amounts of space in various newspapers at a discounted rate then resold the space at higher rates to advertisers. The actual ad – the copy, layout, and artwork – was still prepared by the company wishing to advertise; in effect, Palmer was a space broker. The situation changed in the late 19th century when the advertising agency of N.W. Ayer & Son was founded. Ayer and Son offered to plan, create, and execute complete advertising campaigns for its customers. By 1900 the advertising agency had become the focal point of creative planning, and advertising was firmly established as a profession. Around the same time, in France, Charles-Louis Havas extended the services of his news agency, Havas to include advertisement brokerage, making it the first French group to organize. At first, agencies were brokers for advertisement space in newspapers. N. W. Ayer & Son was the first full-service agency to assume responsibility for advertising content. N.W. Ayer opened in 1869, and was located in Philadelphia.

20th century

Advertising increased dramatically in the United States as industrialization expanded the supply of manufactured products. In order to profit from this higher rate of production, industry needed to recruit workers as consumers of factory products. It did so through the invention of mass marketing designed to influence the population's economic behavior on a larger scale. In the 1910s and 1920s, advertisers in the U.S. adopted the doctrine that human instincts could be targeted and harnessed – "sublimated" into the desire to purchase commodities.EdwardBernays, a nephew of Sigmund Freud, became associated with the method and is now often considered the founder of modern advertising.

The tobacco industry was one of the firsts to make use of mass production, with the introduction of the Bonsack machine to roll cigarettes. The Bonsack machine allowed the production of cigarettes for a mass markets, and the tobacco industry needed to match such an increase in supply with the creation of a demand from the masses through advertising. The tobacco companies pioneered the new advertising techniques when they hired Bernays to create positive associations with tobacco smoking.

Advertising was also used as a vehicle for cultural assimilation, encouraging workers to exchange their traditional habits and community structure in favor of a shared "modern" lifestyle. An important tool for influencing immigrant workers was the American Association of Foreign Language Newspapers (AAFLN). The AAFLN was primarily an advertising agency but also gained heavily centralized control over much of the immigrant press.

At the turn of the 20th century, there were few career choices for women in business; however, advertising was one of the few. Since women were responsible for most of the purchasing done in their household, advertisers and agencies recognized the value of women's insight during the creative process. In fact, the first American advertising to use a sexual sell was created by a woman – for a soap product. Although tame by today's standards, the advertisement featured a couple with the message "The skin you love to touch".

2**. Publicity**: This is a non-paid process of generating wide range of communication tocontribute a favourable attitude towards the product and the organisation. You mayhave seen articles in newspapers about an organisation, its products and policies. Theother tools of publicity are press conference, publication and news in the electronicmedia etc. It is published or broadcasted without charging any money from the firm.Marketeers often spend a lot of time and effort in getting news items placed in themedia for creation of a favourable image of the company and its products.

3. **Personal selling**: You must have come across representatives of different companiesknocking at your door and persuading you to buy their product. It is a direct presentationof the product to the consumers or prospective buyers. It refers to the use ofsalespersons to persuade the buyers to act favourably and buy the product. It is mosteffective promotional tool in case of industrial goods.

4. **Sales promotion**: This refers to short-term and temporary incentives to purchase orinduce trials of new goods. The tool include contests, games, gifts, trade shows,discounts, etc. Sales promotional activities are often carried out at retail levels.

Where and when can you get across your marketing messages to your target market?

Will you reach your audience by advertising in the press, or on TV, or radio, or on billboards? By using direct marketing mailshot? Through PR?On the Internet?

When is the best time to promote? Is there seasonality in the market? Are there any wider environmental issues that suggest or dictate the timing of your market launch, or the timing of subsequent promotions?

How do your competitors do their promotions? And how does that influence your choice of promotional activity?

The 4Ps model is just one of many marketing mix lists that have been developed over the years. And, whilst the questions we have listed above are key, they are just a subset of the detailed probing that may be required to optimize your marketing mix.

Amongst the other marketing mix models have been developed over the years is Boom and Bitner's 7Ps, sometimes called the extended marketing mix, which include the first 4 Ps, plus people, processes and physical layout decisions.

Another marketing mix approach is Lauterborn's 4Cs, which presents the elements of the marketing mix from the buyer's, rather than the seller's, perspective. It is made up of Customer needs and wants (the equivalent of product), Cost (price), Convenience (place) and Communication (promotion). In this article, we focus on the 4Ps model as it is the most well-recognized, and contains the core elements of a good marketing mix.

5.4.9 The aims of promotion are to:

- Raise awareness
- Encourage sales
- Create or change a brand image
- Maintain market share

Above-the-line promotion

- This uses advertising media over which a firm has no direct control e.g. television, radio and newspapers

Below-the-line promotion

- This uses promotional media which the firm can control e.g. direct mail, sales promotions and sponsorship

5.4.10 Promotional activities

- **Advertising** e.g. TV, billboards and internet.
- **Sales promotions** e.g. Loyalty cards, BOGOF, discounts & free gifts
- **Sponsorship** – a business pays to be associated with another firm, event or cause

- **Direct mailing** – promotional material is sent to potential customers by post/email
- **Public relations** – building the relationship between the firm and the public by enhancing its reputation

5.4.11 Promotional mix

Most businesses use a combination of different promotional activities.

The chosen promotional mix will depend on:

- Cost
- Target market
- Product
- Competitors

How the marketing mix evolves over time

The marketing mix will evolve over time. For example:

- The product portfolio may grow as a business becomes more established
- More expensive promotional activities may be adopted as a firm’s revenue increases
- More outlets may be opened, or products sold via the internet
- Price may increase as demand grows