

# **Module - II : Marketing Decisions - I**

## **MARKETING MIX – CONCEPT**

**“The basis of marketing operations is the coordination of four key variables, namely: product, price, place and promotion.” E. J. McCarthy**

### **PRODUCT DECISION AREAS:**

- 1. Product Design:** PD is a process of creating new and improved products. Marketing manager must undertake: Marketing Research – Research & Development.
- 2. Product Mix Decisions:** Single product, or a product mix.
- 3. Product Packaging:** Proper packaging – protection, preservation and promotion.
- 4. Product Labeling:** Indicates contents of the product. Attractive Labeling.

## **MARKETING MIX – CONCEPT**

- 5. Product Pricing:** Consider certain factors such as costs, competitors' pricing, etc.
- 6. Product Promotion:** Effective promotion-mix: Publicity, Advertising, Sales Promotion, Salesmanship...
- 7. Product Positioning:** Process of creating a distinct image of the brand vis-à-vis competitors' brands.
- 8. Product Warranty:** Guarantee or assurance of product performance. Product warranty on the whole product or only on part/s.

# PRODUCT LIFE CYCLE – CONCEPT

*PLC refers to different stages through which a product passes during its life time. Generally, there are 4 stages – Introduction, Growth, Maturity and Decline.*

## Management of PLC :

### 1. At Introduction Stage:

**(a) Product Strategy:** Preferably to focus on single product or product line.

**(b) Price and Promotion Strategy:** Raid Skimming (High price & High promotion) – Slow Skimming (High price and low pro) – Rapid Penetration (low price & high pro) – Slow Penetration (low price & low promotion)

**(c) Distribution Strategy:** Concentrated Distribution (specific dealers in specific area) – Mass Distribution (Large number of dealers over large market area).

## **PRODUCT LIFE CYCLE – CONCEPT**

### **2. At the Growth Stage:**

**(a) Product Strategy:** Product Improvement – New Models

**(b) Price and Promotion Strategy:** Penetration Pricing (low prices due to economies of scale and to face competitors. Push Promotion (trade promotion/incentives to dealers) – Pull Promotion (promotional efforts to induce customers, such as discounts, exchange offers, .....

**(c) Distribution Strategy:** Increase in Distribution Coverage (local to regional to national) - New market segments – New Distribution Channels.

## **PRODUCT LIFE CYCLE – CONCEPT**

### **3. At the Maturity Stage:**

- (a) Product Strategy: Product modification (new features, design). Focus on R&D
- (b) Price & Promotion Strategy: Same strategies as in the growth stage- Penetration Pricing – Push & Pull Promotion.
- (c) Distribution Strategy: Focus on Profitable Segments – Focus on Important Channels – Exit from unprofitable market areas.

## **PRODUCT LIFE CYCLE – CONCEPT**

### **4. At the Decline Stage:**

**(a) Product Strategy:** Withdrawal of Weaker Brands – Introduction of New Products – Wait & Watch Strategy.

**(b) Price & Promotion Strategy:** May keep the same price – Low promotion expenditure.

**(c) Distribution Strategy:** Focus on selective segments – Focus on selective channels.

## **BRANDING – CONCEPT**

*Branding is a process of building a brand for a company. It has several components such as brand name, brand image, brand personality, etc.*

### **Components of Branding :**

- 1. Brand Personality:** Marketers personify the brand with personality traits. Example, Amul Butter is personified as a sweet, intelligent and energetic little girl.
- 2. Brand Image:** BI is the perception of a brand in the minds of customers and others. For example, Rolex watch has a brand image of a luxury watch.
- 3. Brand Name:** BN creates a distinct identity to a brand. Various approaches such as Individual brand names, Corporate brand names, etc.
- 4. Brand Association:** BA links a brand to a certain aspect. For example, Lux soap is associated with the beauty of film stars.

## **BRANDING – CONCEPT**

- 5. Brand Logo:** BL is a unique design for a brand. For example, Mercedes – three pointed star which signifies sign of luxury.
- 6. Brand Equity:** It is the incremental value of a brand over and above its physical assets. It is a combination of several elements such as quality, brand association, brand image, etc.
- 7. Brand Packaging:** Packaging helps three main purposes: Protection – Preservation of quality – Promotion.
- 8. Brand Functions:** For example, a hotel performs the functions of rest, relaxation, and enjoyment of good food and ambience.



## **BRAND EQUITY – CONCEPT**

**Edward Tauber, The incremental value of business above the value of its physical assets ....”**

### **Factors Influencing Brand Equity :**

- 1 Brand Loyalty:** Repeat purchases by satisfied customers – Recommendations to others by satisfied customers.
- 2. Brand Name Awareness:** A known brand is preferred over unknown brand. Awareness can be created through effective promotion-mix.
- 3. Perceived Quality:** PQ is the customers’ perception of the quality of a brand.
- 4. Brand Association:** BA links a brand to a certain aspect. For example, Lux soap is associated with the beauty of film stars.

## **BRAND EQUITY – CONCEPT**

**5. After-sale-service:** Selection of right personnel – Training – Motivation.

**6. Brand Ambassadors:** BA is a distinct personality which favourably endorses a brand. Example, Lux soap is endorsed by female film stars.

**7. Brand Personality:** Marketers personify the brand with personality traits. Example, Amul Butter is personified as a sweet, intelligent and energetic little girl.

**8. Brand Logo:** BL is a unique design for a brand. For example: Mercedes – three pointed star which signifies sign of luxury.

## **PACKAGING – CONCEPT**

*It is a process of developing and designing attractive packages.*

### **Essentials of a Good Package :**

- 1. Protection to product:** While transporting, handling, operating or using.
- 2. Preservation of quality:** Properly designed to preserve the quality. For example, food products must come in airtight packages.
- 3. Promotion:** Attract attention of the customers.
- 4. Convenience to Customers:** For carrying, handling, using – proper shape and size.

## **PACKAGING – CONCEPT**

- 5. Convenience to Dealers:** Ease in storing and displaying the products.
- 6. Conform to Standards:** Especially in the case of foreign trade.
- 7. Buyer's Specifications:** Conform to buyer's specifications, if any.
- 8. Handling Instructions:** Example: 'This side up' 'Glass Handle wit Care'.

## **PRODUCT POSITIONING – CONCEPT**

*PP is a process of creating a distinct image of the brand in the minds of target customers, vis-à-vis competing brands.*

### **Product Positioning – Strategies :**

- 1. Positioning by Features:** Important features that benefits the customers.
- 2. Price and Quality:** Price and quality worth the money paid for the brand.
- 3. Product Class:** Example: Mercedes – sign of luxury.

## **PRODUCT POSITIONING – CONCEPT**

- 4. Product Benefits:** Maggi Noodles – Fast to cook, good to eat.
- 5. Use of the Product:** The sheer driving pleasure – BMW.
- 6. User Category:** Beauty soap of film stars – Lux soap.
- 7. Corporate Image:** This is TATA product – Voltas AC.
- 8. Emotions:** Shubh Aarambh – CDM campaign 2010.

## **SERVICE POSITIONING – CONCEPT**

*It is a process of creating a distinct image of the service in the minds of the customers. Various parameters can be used such as reliability, safety, dependability, status.*

### **Service Positioning – Importance :**

- |                                 |                              |
|---------------------------------|------------------------------|
| <b>1. Corporate Image</b>       | <b>5. Brand Image</b>        |
| <b>2. Competitive Advantage</b> | <b>6. Brand Equity</b>       |
| <b>3. Commands Premium</b>      | <b>7. Business Expansion</b> |
| <b>4. Status to the Users</b>   | <b>8. Brand Loyalty</b>      |

## **SERVICE POSITIONING – CONCEPT**

### **Service Positioning – Challenges :**

**There are certain challenges due to unique features of services such as:**

- 1. Intangibility**
- 2. Inseparability**
- 3. Inconsistency**
- 4. Inventory-less**



## PRICING – CONCEPT

*Pricing is the process of fixing the right price of a product. Price is the exchange value of a product. Price is an important element of marketing-mix.*

### **Objectives of Pricing :**

- 1. Survival:** When there is intense competition, prices may be fixed little lower. Also, during recession, prices may be adjusted on a lower side.
- 2. Profit:** Prices must generate enough revenue so that firm makes a profit.
- 3. Sales:** Prices should create demand and increase sales.
- 4. Market Shares:** Prices should maintain and enhance market share.

## **PRICING – CONCEPT**

- 5. Brand Image:** High price – premium brand image, and lower price for popular brand image.
- 6. Brand Loyalty:** Prices should encourage loyal customers to repeat sales.
- 7. Competitive Advantage:** More or less that of competitors with good quality. At times lower prices to challenge the competitors.
- 8. Customers' Satisfaction:** Fixing right prices depending on the nature of the customers. If customers are price sensitive – lower prices.

## **Factors Influencing Pricing**

### **A. Internal Factors :**

- 1. Costs:** Higher the costs, higher may be the prices, but not always so.
- 2. Corporate Image:** Higher the corporate image, higher are the prices.
- 3. Product:** If product is of superior quality, higher may be the prices.
- 4. Product Life Cycle:** At introduction stage, lower price may be charged.
- 5. Objective of Firm:** Higher market share, lower may be the price.

## **Factors Influencing Pricing**

### **B External Factors :**

- 6. Customers Nature:** If price sensitive customers, lower prices.
- 7. Competitors Pricing:** If competitors charge lower prices, a firm may also do the same.
- 8. Demand:** Higher demand, higher would be the prices.
- 9. Economic Conditions:** If recession, prices may be lower. If boom, higher prices.
- 10. Financial Incentives:** If Govt gives financial incentives, lower prices are charged.

## PRICING STRATEGIES

*Pricing strategy is a plan to achieve pricing objectives such as higher market share, higher profits, increase in sales, etc.*

- 1. Skimming Strategy:** Rapid Skimming (high prices with high promotion) – Slow Skimming (High prices with low promotion)
- 2. Penetration Strategy:** Low prices. Purpose to get higher market share.
- 3. Standard Strategy:** Same price in all the markets.
- 4. Differential Strategy:** Different markets – different prices.

## **PRICING STRATEGIES**

- 5. Probe Strategy:** Initially higher price to probe demand in the market.
  - 6. Trial Strategy:** Lower prices to induce customers to try the product.
  - 7. Predatory Pricing:** Low prices to kill the competition.
  - 8. Psychological Pricing:** Different prices are charged to create psychological impact on buyers.
- For instance, one brand lower prices, and another brand with more or less same contents/ ingredients, higher prices.
- Examples : Washing powder.