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SYLLABUS:
Marketing Management: Concept, Process, Functions and relevance in the current context.
Marketing Environment: Elements of micro and macro environment
Competition Analysis: Factors contributing to competition, porter's five forces model, Identifying and analyzing competitors.
Marketing Planning: Exploring Opportunity, Product –market selection, Marketing Planning Process.
Market Research and Information Systems: Research Process, The Internet and World Wide Web based Information collection and processing, Database, Data Warehouses and Data Mining, Global Market Research.
Consumer Behavior: Factors influencing consumer behavior, consumer decision process. Organizational buying behavior

What is Marketing?

Marketing is about identifying and meeting human and social needs. One of the shortest good definitions of marketing is "meeting needs profitably."When eBay recognized that people were unable to locate some of the items they desired most, it created an online auction clearinghouse. When IKEA noticed that people wanted good furnishings at substantially lower prices, it created knockdown furniture. These two firms demonstrated marketing savvy and turned a private or social need into a profitable business opportunity.
The American Marketing Association offers the following formal definition: ***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.***
Marketing management takes place when at least one party to a potential exchange thinks about the means of achieving desired responses from other parties.
Thus we see **marketing management** as ***the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value*.**
We can distinguish between a social and a managerial definition of marketing. A social definition shows the role marketing plays in society; for example, one marketer has said that marketing's role is to "deliver a higher standard of living." Here is a social definition that serves our purpose:
***Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others*.**
Managers sometimes think of marketing as "the art of selling products," but many people are surprised when they hear that selling is *not* the most important part of marketing! Selling is only the tip of the marketing iceberg.
Peter Drucker, a leading management theorist, puts it this way:
There will always, one can assume, be need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or service available.

The **American Marketing Association**, the official organization for academic and professional marketers, defines marketing as: ***Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives***

Another definition goes as '***Process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others'. Simply put: Marketing is the delivery of customer satisfaction at a profit.***

The notion of exchange as central to marketing is reinforced by many contemporary definitions such as 'marketing is the process of creating and resolving exchange relationships' and 'marketing is the process in which exchanges occur among persons and social groups'. The essence of marketing is the exchange process, in which two or more parties give something of value to each other to satisfy felt needs. In many exchanges, people trade tangible goods for money. In others, they trade intangible services.

Exchanges in marketing are consummated not just between any two parties, but almost always among two or more parties, of which one or more taken on the role of buyer and one or more, the role of seller. A common set of conditions are present in the marketplace, viz.,

1) Buyers outnumber sellers

2) Any individual buyer is weaker than any individual seller economically, but

3) The total economic power of even a fraction of the buyers is enough to assure the existence of, or to put out of business, most sellers or groups of sellers, and

4) Consequently, the sellers compete to sway the largest number of buyers they can to their, rather than another seller's (competitor's) offerings. Finally and intriguingly,

5) The sellers in their attempt to meet competition and attract the largest number of buyers, are influenced as well, regularly modifying their behaviours so they will have more success, with more buyers, over time.

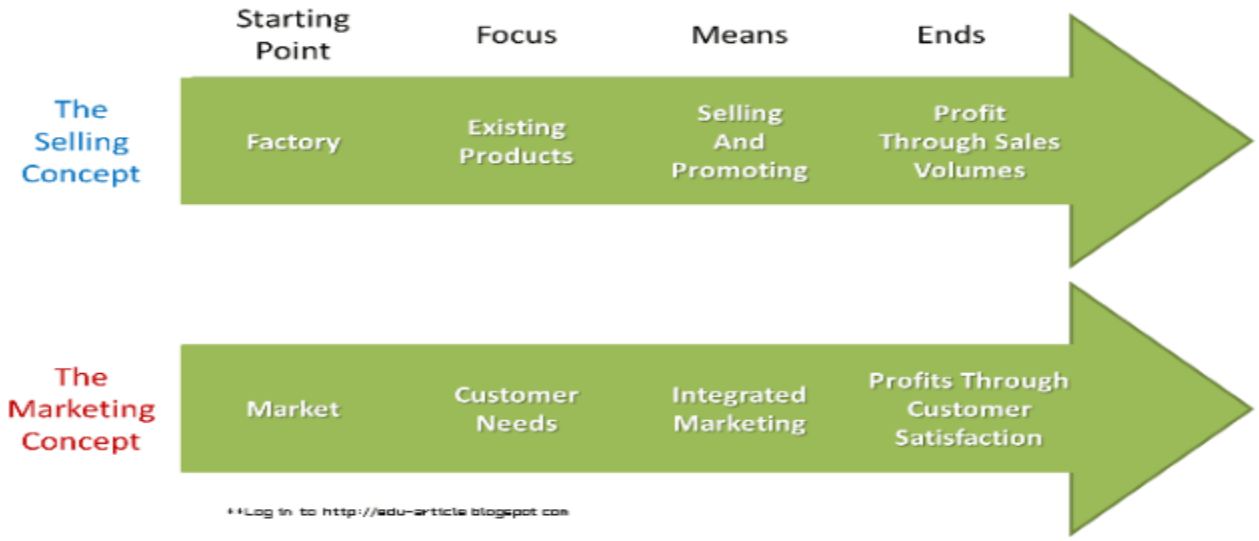
The expanded concept of marketing activities permeates all organizational functions. It assumes that the marketing effort will follow the overall corporate strategy and will proceed in accordance with ethical practices and that it will effectively serve the interests of both society and organization. The concept also identifies the marketing variables – product, price, promotion and distribution – that combine to provide customer satisfaction. In addition, it assumes that the organization begins by identifying and analyzing the consumer segments that it will later satisfy through its production and marketing activities. The concept's emphasis on creating and maintaining relationships is consistent with the focus in business on long-term, mutually satisfying sales, purchases and other interactions with customers and suppliers. Finally it recognizes that marketing concepts and techniques apply to non-profit organizations as well as to profit-oriented businesses, to product organization and to service organizations, to domestic and global organizations, as well as to organizations targeting consumers and other businesses

Continuous exposure to advertising and personal selling leads many people to link marketing and selling, or to think that marketing activities start once goods and services have been produced. While marketing certainly includes selling and advertising, it encompasses much more. Marketing also involves analyzing consumer needs, securing information needed to design and produce goods or services that match buyer expectations and creating and maintaining relationships with customers and suppliers.

The following table summarizes the key differences between marketing and selling concepts

Selling Vs. Marketing

Difference between Selling Concept and Marketing Concept



Point of difference	**Selling**	**Marketing**
Starting point	Factory	Marketplace
Focus	Existing products	Customer needs
Means	Selling and promoting	Integrated marketing
End	Profits through volume	Profits through satisfaction

The difference between selling and marketing can be best illustrated by this popular customer quote: 'Don't tell me how good your product is, but tell me how good it will make me'.

No.	**The Selling Concept**	**The Marketing Concept**
1	undertakes a large-scale selling and promotion effort	undertakes activities such as; market research,
2	The Selling Concept is suitable with unsought goods—those that buyers do not normally think of buying, such as insurance or blood donations.	The Marketing Concept is suitable for almost any type of product and market.
3	Focus of the selling concept starts at the production level.	Focus of the marketing concept starts at understanding the market.
4	Any company following selling concept undertakes a high-risk	Companies that are following the marketing concept requires to bare less risk and uncertainty.
5	The Selling Concept assumes – "customers who are coaxed into buying the product will like it. Or, if they don't like it, they will possibly forget their disappointment and buy it again later."	Instead of making an assumption, The marketing concept finds out what really the consumer requires and acts accordingly to them.
6	The Selling Concept makes poor assumptions.	Marketing concept works on facts gathered by its "market and customer first" approach.

Evolution Of Marketing

As noted earlier, exchange is the origin of marketing activity. When people need to exchange goods, they naturally begin a marketing effort. Wroe Alderson, a leading marketing theorist has pointed out, 'It seems altogether reasonable to describe the development of exchange as a great invention which helped to start primitive man on the road to civilization'. Production is not meaningful until a system of marketing has been established. An adage goes as: Nothing happens until somebody sells something.

Although marketing has always been a part of business, its importance has varied greatly over the years. The following table identifies five eras in the history of marketing: the production era, the product era, the sales era, the marketing era and the relationship marketing era.

Era	Prevailing attitude and approach
Production	
	Consumers favor products that are available and highly affordable
	Improve production and distribution
	'Availability and affordability is what the customer wants'
Product	
	Consumers favor products that offer the most quality, performance and innovative features
	'A good product will sell itself'
Sales	
	Consumers will buy products only if the company promotes/ sells these products
	'Creative advertising and selling will overcome consumers' resistance and convince them to buy'
Marketing	
	Focuses on needs/ wants of target markets and delivering satisfaction better than competitors
	'The consumer is king! Find a need and fill it'
Relationship marketing	
	Focuses on needs/ wants of target markets and delivering superior value
	'Long-term relationships with customers and other partners lead to success'

In the **production era**, the production orientation dominated business philosophy.
Indeed business success was often defined solely in terms of production victories. The focus was on production and distribution efficiency. The drive to achieve economies of scale was dominant. The goal was to make the product affordable and available to the buyers.

In the **product era**, the goal was to build a better mouse trap and it was assumed that buyers will flock the seller who does it. However, a better mousetrap is no guarantee of success and marketing history is full of miserable failures despite better mousetrap designs. Inventing the greatest new product is not enough. That product must also solve a perceived marketplace need. Otherwise, even the best-engineered. Highest quality product will fail. In the sales era, firms attempted to match their output to the potential number of customers who would want it. Firms assumed that customers will resist purchasing goods and services not deemed essential and that the task of selling and advertising is to convince them to buy. But selling is only one component of marketing.

Next came the **marketing era** during which the company focus shifted from products and sales to customers' needs. The marketing concept, a crucial change in management philosophy, can be explained best by the shift from a seller's market – one with a shortage of goods and services – to a buyer's market – one with an abundance of goods and services. The advent of a strong buyer's market created the need for a customer orientation. Companies had to market goods and services, not just produce them. This realization has been identified as the emergence of the marketing concept. The keyword is customer orientation. All facets of the organization must contribute first to assessing and then to satisfying customer needs and wants. The relationship marketing era is a more recent one. Organization's carried the marketing era's customer orientation one step further by focusing on establishing and maintaining relationships with both customers and suppliers. This effort represented a major shift from the traditional concept of marketing as a simple exchange between buyer and seller.

Relationship marketing, by contrast, involves long-term, value-added relationships developed over time with customers and suppliers. The following table summarizes the differences between transaction marketing (i.e. exchanges characterized by limited communications and little or no ongoing relationship between the parties) and relationship marketing.
Comparing transaction-based marketing and relationship marketing

Characteristic	Transaction-Based Marketing	Relationship Marketing
Time orientation	Short term	Long term
Organizational goal	Make the sale	Emphasis on customer retention
Customer service priority	Relatively low	Key component
Customer contact	Low to moderate	Frequent
Degree of customer commitment	Low	High
Seller-customer interactions	Conflict manipulation	Cooperation; trust
Source of quality	Primarily from production	Companywide commitment

One of the biggest challenges of businesses today is how to attract customers and keep them. They do so through effective marketing. This lesson will identify five different approaches to marketing philosophies and provide examples for each.

A Pizza Shop

Let's imagine that you want to open a pizza shop. You live in a suburban area with lots of families, so you know that the potential market is good. You've got some savings with which to start your business, and soon, you are the proud owner of a little shop in the center of your town. We'll call it Pizza Pizzazz.

Fast-forward three months. Your shop is still open, but with each month, your savings are dwindling because you are not yet making enough profit from your small business to cover all the expenses. You knew it usually takes about six months to get a business off the ground, but now that the shop has hit its stride, you have some time to devote to the question at hand: how can you best market Pizza Pizzazz to bring in new business and generate a profit?

Marketing vs. Marketing Concepts

Marketing is the promotion of business products or services to a target audience. It is, in short, an action taken to bring attention to a business' offerings; they can be physical goods for sale or services offered. Common examples of marketing at work include television commercials, billboards on the side of the road, and magazine advertisements.

But not all businesses approach the need to market their goods and services the same way. In fact, there are a few different approaches to how marketing can be successful for an organization. These approaches are called **marketing concepts**, or a philosophy that determines what type of marketing tools are used by a company. Marketing concepts are driven by a clear objective that takes into account cost efficiency, social responsibilities, and effectiveness within a particular market.

The Marketing Concepts

The *marketing concept* is the philosophy that firms should analyze the needs of their customers and then make decisions to satisfy those needs, better than the competition. Today most firms have adopted the marketing concept, but this has not always been the case.

In 1776 in *The Wealth of Nations*, Adam Smith wrote that the needs of producers should be considered only with regard to meeting the needs of consumers. While this philosophy is consistent with the marketing concept, it would not be adopted widely until nearly 200 years later.

To better understand the marketing concept, it is worthwhile to put it in perspective by reviewing other philosophies that once were predominant. While these alternative concepts prevailed during different historical time frames, they are not restricted to those periods and are still practiced by some firms today.

5 Marketing Concepts

1. Production Concept,
2. Product Concept,
3. Selling Concept,
4. Marketing Concept,
5. Societal Marketing Concept.

These concepts are described below;

1. Production Concept

The idea of production concept – "Consumers will favor products that are available and highly affordable". This concept is one of the oldest Marketing management orientations that guide sellers.

Companies adopting this orientation run a major risk of focusing too narrowly on their own operations and losing sight of the real objective.

Most times; the production concept can lead to marketing myopia. Management focuses on improving production and distribution efficiency.

Although; in some situations; the production concept is still a useful philosophy.

The *production concept* prevailed from the time of the industrial revolution until the early 1920's. The production concept was the idea that a firm should focus on those products that it could produce most efficiently and that the creation of a supply of low-cost products would in and of itself create the demand for the products. The key questions that a firm would ask before producing a product were:

- Can we produce the product?
- Can we produce enough of it?

At the time, the production concept worked fairly well because the goods that were produced were largely those of basic necessity and there was a relatively high level of unfulfilled demand. Virtually everything that could be produced was sold easily by a sales team whose job it was simply to execute transactions at a price determined by the cost of production. The production concept prevailed into the late 1920's.

2. Product Concept

The product concept holds that the consumers will favor products that offer the most in quality, performance and innovative features.

Here; under this concept,

Marketing strategies are focused on making continuous product improvements.

Product quality and improvement are important parts of marketing strategies, sometimes the only part. Targeting only on the company's products could also lead to marketing myopia.

For example;

Suppose a company makes the best quality Floppy disk. But a customer does really need a floppy disk?

She or he needs something that can be used to store the data. It can be achieved by a USB Flash drive, SD memory cards, portable hard disks, and etc.

So that company should not look to make the best floppy disk. They should focus to meet the customer's data storage needs.

3. Selling Concept

The selling concept holds the idea- "consumers will not buy enough of the firm's products unless it undertakes a large-scale selling and promotion effort".

Here the management focuses on creating sales transactions rather than on building long-term, profitable customer relationships.

In other words; The aim is to sell what the company makes rather than making what the market wants. Such aggressive selling program carries very high risks.

In selling concept the marketer assumes that customers will be coaxed into buying the product will like it, if they don't like it, they will possibly forget their disappointment and buy it again later. This is usually very poor and costly assumption.

Typically the selling concept is practiced with unsought goods. Unsought goods are that buyers do not normally think of buying, such as insurance or blood donations.
These industries must be good at tracking down prospects and selling them on a product's benefits.
By the early 1930's however, mass production had become commonplace, competition had increased, and there was little unfulfilled demand. Around this time, firms began to practice the *sales concept* (or *selling concept*), under which companies not only would produce the products, but also would try to convince customers to buy them through advertising and personal selling. Before producing a product, the key questions were:

- Can we sell the product?
- Can we charge enough for it?

The sales concept paid little attention to whether the product actually was needed; the goal simply was to beat the competition to the sale with little regard to customer satisfaction. Marketing was a function that was performed after the product was developed and produced, and many people came to associate marketing with hard selling. Even today, many people use the word "marketing" when they really mean sales.

4. Marketing Concept

The marketing concept holds- "achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do". Here marketing management takes a "customer first" approach.
Under the marketing concept, customer focus and value are the routes to achieve sales and profits.
The marketing concept is a customer-centered "sense and responds" philosophy. The job is not to find the right customers for your product but to find the right products for your customers. The marketing concept and the selling concepts are two extreme concepts and totally different from each other.
After World War II, the variety of products increased and hard selling no longer could be relied upon to generate sales. With increased discretionary income, customers could afford to be selective and buy only those products that precisely met their changing needs, and these needs were not immediately obvious. The key questions became:

- What do customers want?
- Can we develop it while they still want it?
- How can we keep our customers satisfied?

In response to these discerning customers, firms began to adopt the *marketing concept*, which involves:

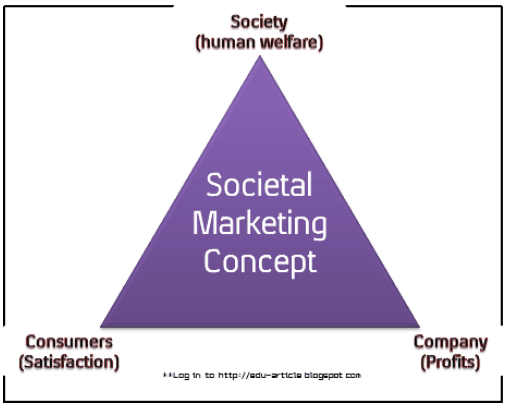
- Focusing on customer needs before developing the product
- Aligning all functions of the company to focus on those needs
- Realizing a profit by successfully satisfying customer needs over the long-term

When firms first began to adopt the marketing concept, they typically set up separate marketing departments whose objective it was to satisfy customer needs. Often these departments were sales departments with expanded responsibilities. While this expanded sales department structure can be found in some companies today, many firms have structured themselves into marketing organizations having a company-wide customer focus. Since the entire organization exists to satisfy customer needs, nobody can neglect a customer issue by declaring it a "marketing problem" - everybody must be concerned with customer satisfaction.
The marketing concept relies upon marketing research to define market segments, their size, and their needs. To satisfy those needs, the marketing team makes decisions about the controllable parameters of the marketing mix.

5. Societal Marketing Concept

Societal marketing concept questions whether the pure marketing concept overlooks possible conflicts between consumer short-run wants and consumer long-run welfare.

The societal marketing concept holds "marketing strategy should deliver value to customers in a way that maintains or improves both the consumer's and society's well-being".
It calls for sustainable marketing, socially and environmentally responsible marketing that meets the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs.
The Societal Marketing Concept puts the Human welfare on top before profits and satisfying the wants.
The global warming panic button is pushed and a revelation is required in the way we use our resources. So companies are slowly either fully or partially trying to implement the societal marketing concept.



This concept holds that the organization's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors (this is the original Marketing Concept). Additionally, it holds that this all must be done in a way that preserves or enhances the consumer's and the society's well-being.

This orientation arose as some questioned whether the Marketing Concept is an appropriate philosophy in an age of environmental deterioration, resource shortages, explosive population growth, world hunger and poverty, and neglected social services.
Are companies that do an excellent job of satisfying consumer wants necessarily acting in the best long-run interests of consumers and society?

The marketing concept possibily sidesteps the potential conflicts among consumer wants, consumer interests, and long-run societal welfare. Just consider:
The fast-food hamburger industry offers tasty buty unhealthy food. The hamburgers have a high fat content, and the restaurants promote fries and pies, two products high in starch and fat. The products are wrapped in convenient packaging, which leads to much waste. In satisfying consumer wants, these restaurants may be hurting consumer health and causing environmental problems.

Marketing Process:

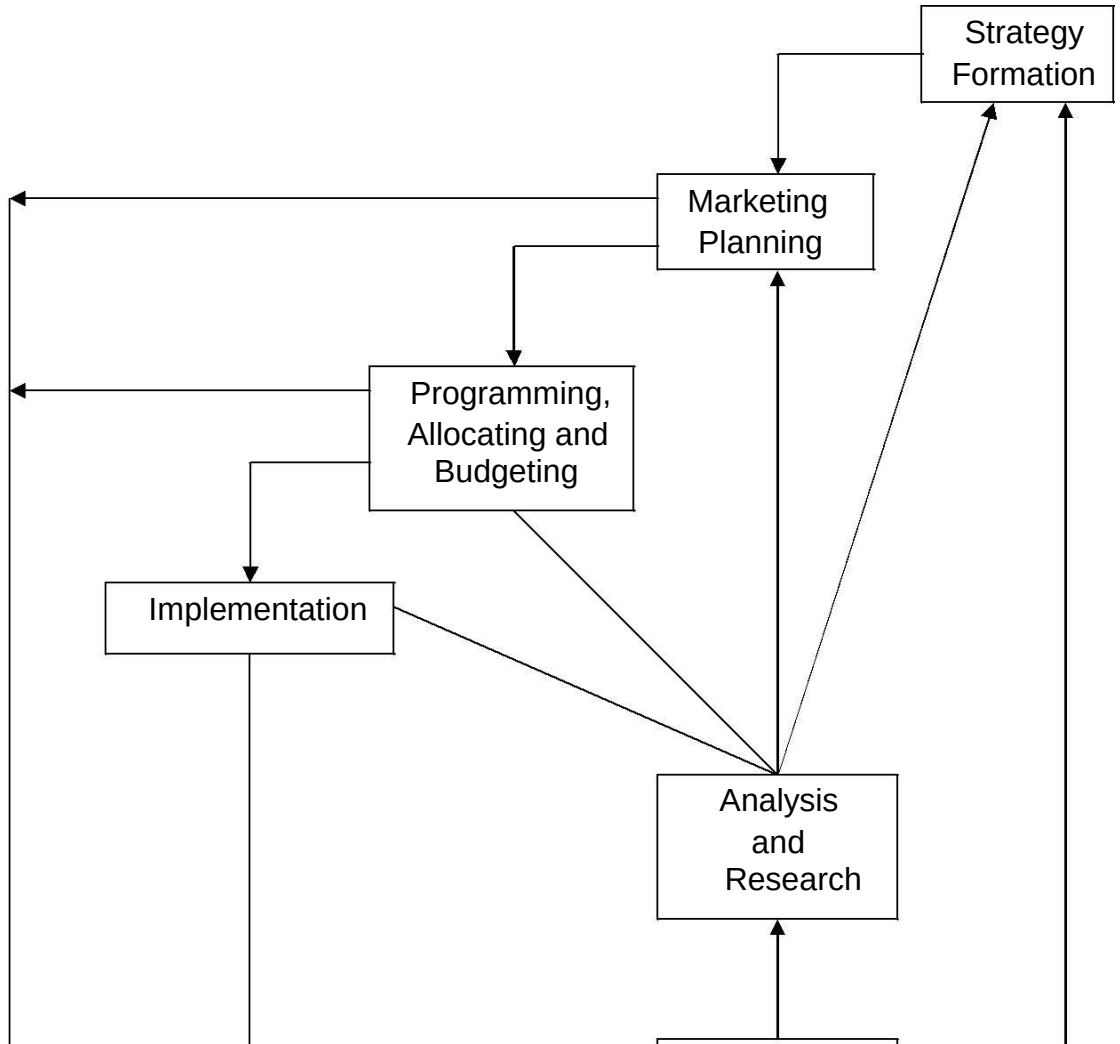
While there is lot of focus on the substance of marketing, particularly the marketing mix, an equally important aspect of marketing is the marketing process – how marketers do their job. The process is equal in importance to the substance because the process determines the nature and quality of the decisions made. A good process is likely to lead to a good decision. On the other hand, a faulty process will produce a good decision only on a random or accidental basis.
The marketing process can be divided in several different ways. One popular conceptualization of marketing tasks is:
1. Strategy formulation – the development of the broadest marketing/business strategies with the longest term impact
2. Marketing planning – the development of longer-term plans which have generally stronger impact than the short-term programs
3. Marketing programming, allocating and budgeting – the development of short-term programs which generally focus on integrated approaches for a given product and on the allocation of scarce resources such as sales effort or product development time across various products and functions
4. Marketing implementation – the actual task of getting the marketing job done
5. Monitoring and auditing – the review and analysis of programs, plans and strategies to assess their success and to determine what changes must be made
6. Analysis and research – the deliberate and careful acquisition and examination of qualitative and quantitative data to improve decision making

Though implied and considered as part of the overall corporate planning, the importance of situation analysis can never be undermined during marketing strategy formulation. Especially

under product policies, but throughout the marketing mix elements, the company, customer and competitive scanning is so essential to marketing success. Situation analysis describes the process by which environmental assessment, marketing research and market size/growth estimates get done. It pays particular attention to environment scanning skills useful in forecasting and modeling consumer behaviour.

It is important to note that each part of the process is intimately related to the other parts of the process. Figure 1.3.1 is an attempt to capture the more important relationships. The dividing lines between any two parts of the process are vague and unclear. This is particularly true of those elements of the processes which are clearly connected. For example, the distinction between a marketing plan and a marketing program is very unclear for many. But the precise boundaries are not as important as the general concept. Each element can be divided into smaller sub-elements. For example, marketing planning includes market assessment which is the evaluation and selection to serve specific customer markets. Product line planning is another sub-element of marketing planning.

Relationships among the six parts of the marketing process



Monitoring
and
Auditing

Formulation of marketing strategy

Strategy formulation is the broadest, longest-term marketing activity. At this stage, complex and subtle integration with other corporate functions is required. All of the functional strategies must fit together into a business strategy. Because marketing deals with customers and the competitive environment, it is an early part of the total strategy formulation process. When done well, it is impossible to separate the marketing strategy from the corporate strategy. The two meld into a unified whole.

The strategic process is one of working with market dynamics (a particular segment or selection of the market) to achieve a solid positioning of the product/service offering that contains a clear 'benefit promise' to the consumer which is differentiable from the offers of the competition and which thus positions the firm well for potential competitive responses to its actions.

Marketing Planning

Marketing planning involves objectives and plans with a 2-5 year time horizon and is thus further from day-to-day activity of implementation. Because of their broader nature and longer-term impact, plans are typically developed by a combination of higher-level line managers and staff specialists. If the specialists take over the process, it loses the commitment and expertise of the line managers who are responsible for carrying out the plan. The planning process is probably more important than the final planning document. The process ensures that a realistic, sensible, consistent document is produced and leads to important organizational learning and development in its own right.

Marketing Programming, Allocating and Budgeting

This part of the marketing process involves a good deal of detail and focuses generally on the one-year time horizon.

Programs can be related to either one element of the marketing mix such as distribution for one or more products or to all elements of the mix for a single product or market. To some extent, the choice will be determined by the nature of the company's organization. The more functional the organization (i.e. separation of marketing functions such as advertising, sales, etc.), the more likely it is that the programs will focus on one aspect of the mix across all products and markets. On the other hand, companies which organize around products or markets tend to also develop programs for each of them.

Allocating is a necessary function because there is never enough of any scarce resource such as advertising budget or distribution effort to meet the 'needs' of all products, markets and programs. In many ways, marketing is deciding what not to do: which prospects not to sell to, which products not to produce to, etc. Allocation is the formal process of choosing what to do and what not to do, as well as choosing how much to do. Because marketers tend to be optimists, they often underestimate the amount of effort which will be required to accomplish a goal. Allocation requires the stark realism to separate the clearly feasible from the hopeful. It forces the marketer to set explicit priorities and to make hard decisions.

Budgeting reflects the programs and allocations in a set of quantitative forecasts or estimates which are important within and beyond the marketing function. The budgets generally include financial pro formas which are used by the control and finance functions to forecast cash

flows and needs. They also generally include unit sales forecasts which are used by production scheduling personnel to 'load the factory' or service operation. If the forecasts are too low, customer needs are unmet and sales are lost. If the forecasts are too high, capacity sits idle and costs are much higher than they should have been.

Marketing Implementation

Strategy formulation, marketing planning, and programming, allocating and budgeting all lead to marketing implementation as shown in Figure 1.3.1. This is the execution phase which, in part produces the actual results. Poor implementation can ruin even the best strategies, plans and programs. The total purpose of all that goes before implementation is to ensure excellent execution.

Implementation means different things to different people in the organization. To the salesperson, it means going through all of the steps of the selling process, while to the sales manager, it might mean reorganizing the whole sales force. Because of the relatively short time frame involved in most implementation activities, monitoring and auditing are generally easier than for the longer-term strategies and plans. Implementation is very people-oriented. The results of implementation are manifested in people doing things – buying, selling, training, reorganizing, etc. Marketing implementation is unique compared to implementation in most other functional areas because the primary focus of marketing is outside the company. Thus marketing implementation focuses on prospects, customers, distributors, retailers, centers of influence (who are the influencers in a buying decision – they specify but do not purchase). But marketing implementation also includes dealing with other functional areas to gain support and to develop coordination. For example, product managers must implement their plans and programs through product development, production, service and logistics personnel in other functional areas.

Marketing implementation involves a very interesting tension between the structures the firm puts in place to guide marketing efforts and the skills of the managers doing the marketing job. In most firms, what happens is that over time the structures become rigid and dysfunctional to changing marketplace needs, which guides the firm to destinations it does not want to reach! It is only by the timely intervention of the marketers, using their personal skills to 'subvert the organization toward quality' that good marketing actions result.

Monitoring and Auditing

One reason to develop plans, programs and budgets is to have a set of goals or standards against which to measure performance. Marketing audits usually include two parts. The first is an assessment of performance against quantitative goals. The second part of a comprehensive audit reviews the processes and other non-quantifiable aspects of the marketing operation. Because marketing is a mixture of art and science, quantitative and qualitative, and because it involves so many interactive variables, it is hard to audit. Standards are few and comparisons are difficult.

The audit raises a variety of important topics:

1. Who should perform the audit? Can the planners, programmers and executors audit their own performance without bias? If they cannot, who knows enough about the operation to perform the audit? Should outsiders such as consultants be involved and in what capacity?
2. How often should the audit be performed? Should it be on a regular basis or only at certain important points?
3. How comprehensive should the audit be? Should it involve all aspects of marketing or just some?

While auditing normally refers to an activity which is done only on certain occasions, monitoring generally refers to a more day-to-day review activity. It also often refers more to a review of external data than internal activities. It, too, is an important part of the total marketing process because it provides a frequent check of progress against plans and programs.

Analysis and Research

All marketing decisions should be based upon careful analysis and research. The analysis and research need not be quantitative, but it should be deliberate and should be matched to the magnitude of the decision being made. While formal analysis and research are important, nothing replaces common sense and good judgment. The marketer's kit has some very powerful analytical tools and the rapid development of decision support systems, mathematics including statistics, and other supporting disciplines such as psychology and sociology insure that the diversity and power of the tools will continue to increase. All of the tools must be applied carefully and intelligently to the decision at hand. It is a fine line, indeed between healthy skepticism and arrogant neglect of useful tools. The right analytical tool well applied can substantially improve marketing decision making.

Table 1.3.1 has two dimensions. The first is temporal – it shows the natural development from strategy formulation through planning, programming, allocating and budgeting on to implementation. This process is not nearly as 'clean and separated' as the table implies. The activities are interrelated and contemporaneous. The second dimension is the lateral connection to other functional parts of the organization, such as production and operations, finance, control and human resources management. Each step has a company or business counterpart in the right-hand column. The marketing strategy thus becomes part of the total corporate strategy, which includes all functional areas. The marketing plan is often part of a broader corporate business plan. The marketing plan is usually the 'front end' of the corporate plan, because it spells out the operation, human and financial resources needed to support the organization's approach to its markets.

Activities and Lateral Connections

Time Horizon	Activities	Names of Activities	Lateral Connections
Long	1. set overall, long-term goals and basic approach to marketplace	1. formulation of marketing strategy	1. corporate strategy
Medium	2. set two- to five-year objectives and plans with more detail for shorter time horizons	2. marketing planning	2. business plan
Short	3. set one-year objectives and detailed plans; allocate resources to achieve goals specified in 3 and 4	3. marketing programming, allocating and budgeting	3. operating programs and budgets
	4. execute plans, programs and budgets	4. marketing implementation	4. operating activities
	5. evaluate results of execution against goals set in steps 1, 3 and 4, above; specify corrective action where necessary	5. monitoring and auditing	5. business audits

	6. gather and analyze quantitative and qualitative data from within and outside the company	6. analysis and research	6. business analysis and research

Marketing programs and budgets are usually part of the organization's fundamental operating documents. For example, the sales forecasts in the programs and budgets become the production schedule for the manufacturing function. Those, in turn, become the staffing programs for the human resource function and indicate the working capital needs to be supported by the financial function. If finance cannot support such a high level of inventory and accounts receivable, the sales forecast, production schedule and staffing program must be scaled down. In most organizations, great effort must be devoted to such lateral connections. The coordination needs are very high and the amount of conflict often great. Risk aversion and opportunity sensitivity differ among functions. Varying reward systems sometimes encourage different types of behaviour. The organization must develop formal and informal ways to foster good, open lateral connections.

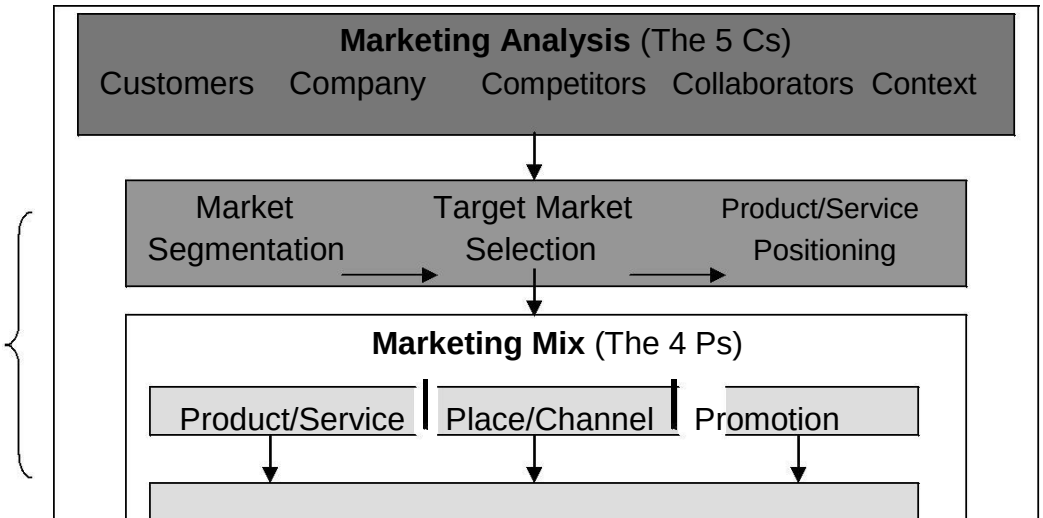
Schematic of Marketing Process

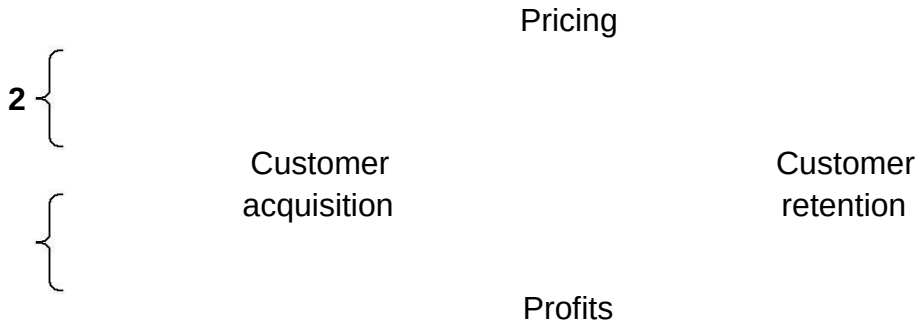
Figure 1.3.2 represents a schematic describing a general process of marketing strategy development. As shown, five major areas of analysis (5 Cs) underlie marketing decision making – customers, company, competitors, collaborators and context. The questions to raise in each of these areas are:

- Customer needs - What needs do we seek to satisfy?
- Company skills - What special competencies do we possess to meet those needs?
- Competition - Who competes with us in meeting these needs?
- Collaborators - Who should we enlist to help us and how do we motivate them?
- Context - What environmental (say, cultural, technological or legal) factors limit what is possible?

This leads first to specification of a target market and desired positioning and then to the marketing mix (4 Ps). This results in customer acquisition and retention strategies driving the firm's profitability. In this schematic, value creation happens by identifying target segment, establishing a product/service positioning and developing the suitable product, place (distribution) and promotion for the chosen market segment. The pricing decision helps to capture value – for the company and for the customer. Value is sustained by acquiring and retaining the customers at a profit for the firm.

Figure 1.3.2 Schematic of marketing process





Marketing Mix

The marketers delivers value to the customer basically through his market offer. He takes care to see that the offer fulfils the needs of the customer. He also ensures that the customer perceives the terms and conditions of the offer as more attractive vis-à-vis other competing offers.

Marketing Mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market. It is the sole vehicle for creating and delivering customer value.

It was James Culliton, a noted marketing expert, who coined the expression marketing mix and described the marketing manager as a mixer of ingredients. To quote him, "The marketing man is a decider and an artist – a mixer of ingredients, who sometimes follow a recipe developed by others and sometimes prepares his own recipe. And, sometimes he adapts his recipe to the ingredients that are readily available and sometimes invents some new ingredients, or, experiments with ingredients as no one else has tried before'. The dynamics of the marketing process and the versatility of the marketing process and the versatility of the marketing mix tool cannot be described any better.

Subsequently Niel H. Borden, another noted marketing expert, popularized the concept of marketing mix. It was Jerome McCarthy, the well known American Professor of marketing, who first described the marketing mix in terms of the four Ps. The classified the marketing mix variables under four heads, each beginning with the alphabet 'p'.

- Product
- Price
- Place (referring to distribution)
- Promotion

McCarthy has provided an easy to remember description of the marketing mix variables. Over the years, the terms-Marketing mix and four Ps of marketing-have come to be used synonymously.

- **Product:** The most basic marketing mix tool is product, which stands for the firm's tangible offer to the market including the product quality, design, variety features, branding, packaging, services, warranties etc.
- **Price:** A critical marketing mix tool is price, namely, the amount of money that customers have to pay for the product. It includes deciding on wholesale and retail prices, discounts, allowances, and credit terms. Price should be commensurate with the perceived value of the offer, or else buyer will turn to competitors in choosing their products.
- **Place:** This marketing mix tool refers to distribution. It stands for various activities the company undertakes to make the product easily available and accessible to target customers. It includes deciding on identify, recruit, and link various middlemen and marketing facilitators so that products are efficiently supplied to the target market.
- **Promotion:** The fourth marketing mix tool, stands for the various activities the company undertakes to communicate its products' merits and to persuade target customers to buy them. It includes deciding on hire, train, and motivate salespeople to promote its products to middlemen and other buyers. It also includes setting up communication and promotion programs consisting of advertising, personal selling, sales promotion, and public relations.

Marketing mix or 4 Ps of marketing is the combination of a product, its price, distribution and promotion. It must be designed by marketers in such a manner that these four elements together must

satisfy the needs of the organization's target market, and at the same time, achieve its marketing objectives.

Marketing functions:

Market :-
Mr. Lispy has defined the market in the following words. " *A market is an area over which buyers ans sellers negotiate for the exchange of a well defined commodity*."

Marketing :-
Mr. Breach says, "*Marketing is the process of determining consumer demand for a product or service motivating its sale and distributing it into ultimate consumption at a profit.*"

Following are the main functions of the marketing.

1. Buying:-
This is an important function of marketing and occupies much of the time of both business undertaking and consumers. This may be relatively simple or exceeding complex whether this function is conducted by the manufacturer, the wholesale or the retailer. In the present economic stage, the success of business depends on the effective purchasing system. So large business concerns have separate purchasing department, may have experienced staff of buyers. The buying function includes the determination of needs, the selection of proper source of supply, title from the seller to the buyer. The buying function includes the determination of needs, the selection of proper source of supply, title from the seller to the buyer.

2. Selling:-
Selling is indispensable function of every marketing and is basic reason for the operation of business concerned that more sales must be obtained at less cost. But this function, is expensive because it involves many activities i.e. creating demand, finding buyer, negotiating price and transferring the title.

3. Assembling:-
Assembling is the physical act of putting together and collection of goods to obtain larger quantities of similar goods. It is more essential in case of marketing of agriculture commodities which are generally grown in similar quantities by larger number of producers in territories spread over vast areas.Concentration of raw material is necessary for the regular supply of the standardized materials

because these are used in large volume by manufacturers.

4. Standardizing and Grading:-

Standardizing involves the determination of basic measure or limits to which articles being standardized. To standardize into give performance to grades.

Grading is an reality a part of standardization. It is process which tests the conformity of commodities to standards that have been previously set up. Product of agriculture and the extractive industries are usually graded according to general standard. Grading may be based on shape, size, color, strength, appearance,specific gravity and chemical contents.

5. Packaging and Packing:-

Packing is meant the placing of goods in small packages i.e. can or bottles etc. It may be regarded as an aspect of marketing because it has a considerable influence on sales in the domestic consumer market.

Packing is concerned with the wrapping and crating necessary for the transport or storage of goods. Many goods must be packed in order to be preserved or delivered to the buyers.

6. Dividing:-

Dividing is an other important function of marketing. As the wholesale require the product in large units according to the requirements of retailers. But retailer require the products in small quantity so they divide the stock into small units according to the need of customers. It enables the businessmen to reduce the bulk of commodities in order to take them more readily transportable.

7. Storage or Warehousing:-

Storage is a major marketing function which involves the utilization of substantial manpower and capital resources. The ultimate consumer finds it necessary to purchase some goods in advance of need and to store them for the future use.On the other hand, goods are produced in large quantities in anticipation of future demand and for the unknown customers. Warehouses are required to store the goods for the adjustment of supply to demand.

8. Transportation:-

Transportation involves all kinds of movement of persons and goods from one place to another. It is the function of transportation to convey commodities from places where their utility is relatively low to places where it is higher. Because of the nature of natural resources, variations in climatic conditions, concentration of skilled or unskilled labor, large scale manufacturing, and raised or manufactured largely or exclusively in certain places. The principal economic basic for transportation is the enhancing the value of goods by the creation of place utility. Thus effective transport is indispensable to economic progress.

9. Financing:-

The whole modern production and marketing mechanism is based on credit and money. No person can think of conducting business without sufficient finance. There is wide gap between the production of goods and consumption of goods. So the product, distributing and consuming require large funds. When a retailer sells commodities on credit, he is rendering a financing services. He may, in part shift this function back on the wholesaler who has extended credit to him, while the wholesaler, in return, may pass part of burden back to the credit granting manufacturer.

10. Risk Taking (Insurance) :-

When the goods are sent by the seller to the buyer through rail, road and ship, there may be risk of loss. The goods may be lost or damaged or destroyed by sea perils, flood, fire, theft, storm and change in the temperature. The businessman and other exporters think, therefore, in terms of minimizing these risks by shifting them on others shoulder's. So insurance provides safety against any unforeseen circumstances and ways to the business people to cover losses or dangers.

11. Market Information's:-

As the demand for various products in national or international market have raised, the amount of information needed has also regarding trademark, quality go goods, method of packing, test and fashion of consumer nature of demand, prices to considerably increased. It helps a businessman to secure information regarding trademark, quality of goods, method of packing, test and fashion of consumer nature of demand, prices of goods are procedure of distribution. There are various method and ways by which such investigations and experiment may be conducted. It thus enables the producers to formulate and to carry out selling policies

Relevance in the current context

1) Marketing helps to achieve, maintain and raise the standard of living of the society

2) Marketing increases employment opportunities

3) Marketing helps to increase national income

4) Marketing helps to maintain economic stability and development

5) Marketing in connecting link between the consumer and the producer

6) Marketing helps in creation of utilities

7) Procuring Maximum Results with Minimum Efforts.

8) Introduction of new products in the market.

9) Increasing the production of existing products.

10) Reducing cost of sales and distribution.

11) Export market.

12) Development in the means of communication and modes of transportation within and outside the country.

13) Rise in per capita income and demand for more goods by the consumers.

Importance of Marketing Management in Indian Market

In competitive environment, the industrialization is speedily progressing and effective and well organized methods of marketing are evolved. Due to the planned economic development, there is huge progress in agricultural and industrial spheres. The production of the primate and public sectors has also sufficiently gone up.

In Indian economy, the marketing management has great significance which is described below.

i. **Procuring Maximum Results with Minimum Efforts:** In Indian country, the resources are quite limited; hence the industrial units are essentially required to be alert against their productivity. By the minimum efforts, managers have to achieve the maximum results; it could be possible only when they understand the significance of 'marketing'.

ii. **Worth from the Export Market Viewpoint:** To enhance economic development rapidly, it is essential to increase the export trade. The success of our Five Year Plans basically depends upon the possibilities and successes of export trade. The export trade could develop only when professional managers possess the knowledge of the latest techniques of marketing. To develop the export trade, managers must have to expand national market, so that whatever they lose in exports could be met by the domestic markets. In this perspective, the marketing occupies sufficient significance. The exporters must pay greater attention on the marketing research and market analysis. The new marketing devices must be developed so that faith among the customers could be created towards the products.

iii. **Significance from the Rural Regions perspective:** Due to the economic development in Five-Year Plans, there has been the change in the habits and expenses not only among the urban population, but also in the rural area. Due to the Green Revolution, there have been enough changes in the villages. Due to the increase in the people's incomes, today there have been development of the demand for new and comfortable products in the villages. In India, there are enough opportunities for the development of the marketing activities in the rural areas.

iv. **Significance of Marketing Along with Rapid Industrialization:** Since the time when the government had determined about improving the economy of the country by means of the Five-Year Plans, main focus is on the industrialization. The attitudes towards the standard of living of people have been changing and there has been sufficient change in the attitudes and interests, wants of the people and along with the same, the importance of marketing management too has begun increasing.

Marketing Environment: Elements of micro and macro environment

The thorough analysis of the marketing environment is essential for the organization in order to make identification of the opportunities & threats to the organization. The ability of the management to prepare & maintain profitable relationships with the target customers is affected by the factors & forces that are present in the marketing environment of the organization. The forces & factors of the **Marketing Environment** vary on the basis of certain industries & organizations.

Types of Marketing Environment

Marketing Environment can be classified into two categories, which are as below:-

- **Micro Environmental Components**
- **Macro Environmental Components**

Micro environmental components are related specifically to the organization, whereas macro environmental components are broader in nature & affect the entire industry of the region or country. Moreover the macro environmental factors cannot be eliminated through the efforts of the **marketing** department. So the marketing manager should be proactive in accessing & anticipating the changes of the marketing environment.

The marketing managers in the organization should be vigilant in facing the threats and opportunities of the marketing environment while collecting & processing the data from the marketing environment. The effective organizations do not only focus their customers, but also the forces of the marketing environment. The marketing department & other management area of the organization consistently consider the dynamic aspect of the marketing environment so that they can better adapt to the emerging change, develop certain long run strategies, maintain the ability to satisfy the current & future needs of the customers and develop the ability to effectively face the intense global competition.

The changing trends of the marketing environment are proactively analyzed by the management of successful organization so that the appropriate marketing mix can be developed for the changing needs & demands. The changes occurring in the marketing environment are not easy to predict because they are emerging quickly. These changes are better monitor & pointed out by using the marketing intelligence system & marketing research by the organization. The new marketing opportunities & challenges are

effectively handled by the marketing management by developing & implementing new strategies after performing systematic environmental scanning.

Micro Environment and its Components

There are five components associated with the micro environment of an organization. These components are as follows.

1. The Organization Itself
2. Suppliers
3. Marketing Intermediaries
4. Competitors
5. Public

Let's discuss each of the above components below.

1. **The Organization Itself**:

The organization itself is the first micro environmental component which focuses on the role of the organization that it performs in the micro environment. The mission statement & long term goals or objectives of the organization are firstly developed by the top management of the organization. After which the tactical strategies, short term goals & policies are prepared by the middle level management, which are followed by the functional goals. The top management of the organization has confined the area in which marketing manager takes his decisions. The marketing manager works in collaboration with other departments of the **Business Organization** because most of the activities of the entire organization are interrelated with each other. Also the broader organizational goals are common for all the departments of the organization like purchasing department, **Research and Development** department, production department etc. The main focus of all the departments must be the customer oriented behavior that ensures the delivery of superior value to customers and this is made possible through the efforts of the marketing department.

2. **Suppliers**:

Suppliers are the second micro environments component, which are those organizations that deliver the required resources to all the competing organizations for the production of goods or services. The delivery of superior value to the customers is made possible through the useful linkage of the suppliers. The availability of the supplies is permanently watched by the organization to ensure the smooth working of its operations. The prices of the key inputs are also analyzed by the management of the organization because it directly affects the costs of the organization which is resultantly influence the price of its final products. So any increase in the price of inputs is carefully analyzed.

3. **Marketing Intermediaries**:

The organizations that assist in promoting, selling & distribution of products to final customers of specific organization are called marketing intermediaries and are considered the utmost factors the micro environments. Marketing intermediaries include the following.

- **Resellers**:

The organizations act as distribution channels in searching of customers for a particular organization and also helping in making sales for it. They may take the form of the wholesaler or retailer that performs the function of purchasing & reselling of products from certain manufacturing organizations. The costs of the organization are reduced with the utilization of the services of resellers, but it can cause problems in the smooth working of the entire system.

- **Physical Distribution Firms**:

These are the firms that are helpful in distribution of goods from the manufacturing area to the selling points. The warehouse is a common example of such physical distribution firms.

- **Marketing Service Agencies**:

The targeting & promotion of the products of an organization is done effectively with the help of marketing service agencies.

- **Financial Intermediaries**:

The finance is provided with the help of financial intermediaries like banks etc, which insure the risks of the organization.

- **Customers**:

The customer market must be closely studied by the organization because there are more than one customer markets with their own unique features.

- **Consumer Market**:

It consists of household customers that purchase the goods or services of the organization for final consumption.

- **Business Market**:

These included other organizations that buy the goods or services for the utilization in their production processes.

- **Reseller Market**:

It consists of firms that buy the goods in order to resell them for profit.

- **Government Market**:

It consists of agencies that purchase goods or services for the production & distribution of public services.

- **International Market**:

It includes buyer belonging to foreign countries.

4. **Competitors**:

Every organization faces the competition with certain competitors. So the competing organization should develop such effective strategies that can influentially position its products in the competing market. There is no single strategy which can be effective for all organizations. This micro environment component has great importance and analyzed deeply.

5. **Public**:

The last component of micro environment is a public, which include a group of individuals that can influence the ability of the organization to accomplish it objectives. So the organization should develop an effective marketing plan for both the public as well as customers. Publics can take the following forms.
Financial Public: It can affect the ability of organization to obtain funds.
Media Public: It carries an editorial opinion, features & news.
Government Public: It considers the developmental aspect.
Citizen Public: It includes consumer organizations that can question the decisions of the organization.
Local Public: It includes community organizations & neighborhood residents.
General Public: It simply includes the general public.
Internal Public: It includes employees, managers and board of directors of an organization.

Macro Environment and Its Types

The organization along with its other forces carries its functions in the larger area of the macro environment. There are certain factors and forces of macro environment that are responsible for the provision of opportunities & threats to the organization. Six types of forces are present in the macro environment of the organization, which are as below.

1. **Demographic**
2. **Economic**
3. **Natural**
4. **Technological**
5. **Political**
6. **Cultural**
7. **Legal**

Now, each one is discussed below in detail.

1. **Demographic:**

The demographic force of macro environment is related to the study of human population with respect to their location, size, density, race, sex, occupation, age & other factors. The marketer of the organization has a keen interest in this actor of macro environment because it relates to the people, which are the foundation of any market. The trends of demographic force are changing at a constant rate. Below are few examples of such change.
01- The rate of increase in population is growing in a speedy manner that will ultimately badly affect the supply of food & servicing ability for the population. The poor countries are the victims that would suffer most. The enhancing market of china is getting attention of marketers around the world.
02- The changing age structure is another important trend of the population. The reasons for this increase in the age structure of the population are the increasing life expectancy and the downfall in the birth rate. After World War 2, the baby boomers have contributed much in the increasing age of the population. The age group of people is divided into many sub-divisions by the organization. The most important one is a

middle age group which would become senior citizens in the future. Other groups include the generation X & the echo boomers.
The overall population of the world is educating well with the new needs & demands for the products & services. The white collar workers are increasing in number and certain products like books & education services are more demanding by educating group. Also computer related technical skills would become essential in the coming years. The racial & ethnic diversity in the population is one of the big trends that also enhances. The organizations should concentrate this diversity element of the population & utilize it in their best interests. The disabled people also form the potential future market.

2. **Economic:**

The economic factor of the macro environment includes those that influence the purchasing power of customers along with their spending patterns. Certain important trends of the economic environment in the USA are as follows.
01- The personal consumption becomes the reason for the recession in the country that affects the personal & corporate actions. Now customers become more careful shoppers.
02- The customers are aware of the rise in the real income & so they adopt the strategy of value marketing.
03- The distribution of income in the country is in skewed shape which means unequal distribution. The majority of the customers is showing the spending patterns in the e basic areas of food, transportation & housing. Moreover the unfair distribution of income is resulted in the formation of two kinds of classes of the people which are affluent and less affluent.
The marketers of the organizations should develop & implement such strategies that benefit them from the changing economic trends. So they should carefully monitor the altering trends of the economic system in order to prevent their organizations from the side effects of the changing trends.

3. **Natural**:

The natural force of the macro environment consists of the natural resources that are required by the organizations as inputs or that is influenced by the marketing activities. The trends of the natural environment are becoming quite important since few years like
01- The industrial expansion has seriously affected the raw materials by creating their shortage. Moreover, certain nonrenewable inputs are depleting due to their improper usage like oil, coal etc.
02- The environment of the world is badly affected by the improper production procedures of the organization. The organizations are adopting the environmental friendly trend by which they have produced safe, biodegradable or recyclable products.
03- Now, the government is also affecting the operations of the organizations in the area of natural environment damage. Certain policies & regulations are implemented throughout the world and the marketers should focus these changing trends that are related to the energy & material problems.
The organizations are promoting the green environment by developing & implementing the environment friendly strategies.

4. **Technological**:

The technological aspect of the macro environment includes the actors that are responsible for the creation of new technologies, new products & new market opportunities. For this purpose following are the important trends of the technological area.
01- The technology is changing at a speedy rate and the new products are emerging that replace the previous ones.
02- A large number of opportunities are emerging in the expanding fields like, space shuttle, health care, robotics & biogenetic industries etc.
03- The technical & commercial challenges emerged for the organization to develop affordable products. Also mew regulations are implementing from the government about the product safety & individual privacy that must also be considered by the organizations.

5. **Political**:

Those actors and forces that relate to the government agencies, laws & other pressure groups that affect the organizations or individual persons in a specific society. For this purpose following are some of important trends.
01- Public policy is implemented by the government that guides the organizations to produce products that are beneficial for the society.
02- Regulations are implemented that protect one organization from another.
03- Customers are protected from unfair business practices by certain laws of the government.

04- There are also certain policies of the government that protect the interests of the society from the unfair business behavior of the organizations.

6. **Cultural**:

Those actors & forces that affect the basic values, preferences, perceptions & behaviors of the society are included in the cultural factor of the macro environment. There are certain cultural characteristics that influence the decision of the marketers. Some of the characteristics are as follows.

01- There are certain basic beliefs & perceptions that remain constant throughout several generations of the society.

02- There are certain secondary beliefs that can be altered through the effective strategies developed by the marketing department of the organization. These secondary concepts should be identified by the marketer in order to get advantage through these concepts.

03- The personal views of the people are also helpful for getting an advantage for the organization by the marketers. Also the views of people about others are helpful for making effective strategies of the organization.

04- Moreover, the views of people about the organizations, society, nature & universe are important considerable features of the cultural aspects that should be concentrated by the marketers for development of their strategies.

Competition Analysis: Factors contributing to competition, porter's five forces model, Identifying and analyzing competitors.

Introduction:

In today's increasingly competitive market, it is no longer enough to understand customers for a firm to succeed. Firms must pay close attention to their competition. They need to constantly compare their products, prices, channels and promotional efforts with their close competitors, to identify areas of competitive advantage and disadvantage.

Firms must be forward looking and identify both their current and potential competitors, gather information, and operate a market information system to monitor competitor's moves and market trends. Ignoring or underestimating the threat posed by potential competitors and focusing only on current competitors is often referred to as "Competitor Myopia". This term was coined by Theodore Levitt to describe situations in which firms fail to recognize the full scope of their businesses. Competitor Myopia can drive firms out of business!

To design successful competitive strategies, firms need to conduct Competitor Analysis on an ongoing basis.

Competitor Analysis Defined

Competitor analysis provides both an offensive and a defensive strategic context for identifying opportunities and threats. The offensive strategy context allows firms to more quickly exploit opportunities and capitalize on strengths. Conversely, the defensive strategy context allows them to more effectively counter the threat posed by rival firms seeking to exploit the firm's own weaknesses.

Through competitor analysis, firms identify who their key competitors are, develop a profile for each of them, identify their objectives and strategies, assess their strengths and weaknesses, gauge the threat they pose, and anticipate their reaction to competitive moves. Firms that develop systematic and advanced competitor profiling have a significant competitive advantage.

Organizations must operate within a competitive industry environment. They do not exist in vacuum. Analyzing organization's competitors helps an organization to discover its weaknesses, to identify opportunities for and threats to the organization from the industrial environment. While formulating an organization's strategy, managers must consider the strategies of organization's competitors. Competitor analysis is a driver of an organization's strategy and effects on how firms act or react in their sectors. The organization does a competitor analysis to measure / assess its standing amongst the competitors.

Competitor analysis begins with identifying present as well as potential competitors. It portrays an essential appendage to conduct an industry analysis. An industry analysis gives information regarding probable sources of competition (including all the possible strategic actions and reactions and effects on profitability for all the organizations competing in the industry). However, a well-thought competitor analysis permits an organization to concentrate on those organizations with which it will be in direct competition, and it is especially important when an organization faces a few potential competitors.

Identifying Current and Potential Competitors

To identify their current and potential competitors, firms have to use both an industry approach as well as a market approach. The industry approach will yield insights on the structure of the industry and the products offered by all market participants. The market approach on the other hand, focuses on the customer need and the firms attempting to satisfy those needs, which will provide the firm with a wider view of current and potential competitors.

Sources of potential competitors include (but are not limited to) firms which compete in a related product, use related technologies, already target the same market even if with unrelated products, operate in other geographical areas with similar products and, last but not least, new start-ups organized by former company employees and/or managers of existing firms. Firms focusing on the same target market with the same strategy constitute a ***strategic group*** and are the closest competitors to firms intending to enter such a group.

TYPES OF ANALYSIS:

Industry-Based Analysis

An "industry" is defined as a group of firms whose products and services are close substitutes of each other. Industries are primarily classified according to the number of sellers involved and the degree of product differentiation. Other factors characterizing an industry's structure are: entry/exit barriers, cost structure, degree of vertical integration and extent of globalization. Based on number of sellers and product differentiation, industries are commonly classified as a: monopoly, oligopoly, differentiated oligopoly, monopolistic competition, or pure competition. Each category is described below.

Monopoly exists when only one firm supplies a given product/service in a certain country or area. A common example is the distribution of electrical power to residential and commercial customers. Given that customers have no alternatives, an unregulated monopoly seeking to maximize profits has a demonstrable incentive to charge a higher price, do little or no advertising and offer minimal service. A regulated monopoly, on the other hand, is required to charge lower prices and provide more services in the public interest. Monopolists might be willing to make some investment in service and technology in a situation where partial substitutes for their products or services are available or when there exists imminent competition. Electric power generation and distribution are good examples of this behavior, with recent developments in alternative energy sources and technological improvements in electric power use.

Oligopoly consists of a few firms producing basically the same commodity, such as Mobil, Shell and Sunoco, in the fuel industry. It is difficult for any single company to sell fuel products above the going price unless it can differentiate its product line in some way.
Differentiated oligopoly refers to an industry in which a few firms produce partially differentiated products, such as Sony, Canon and Nikon in the digital camera industry. Differentiation is based on specific product attributes such as quality, special features, styling or services. Typically, competitors will seek to be the leader firm for a certain attribute, attract customers who value that particular attribute, and charge a premium for it.

Monopolistic competition refers to a situation where several competing firms in an industry are able to differentiate their offer in whole or in part. Such is the case of supermarket companies like Wegmans, Tops and Price Chopper in the supermarket industry in Upstate NY. In this context, competitors typically target those market segments where they can better meet the customer's needs and thereby command a price premium.

Pure competition takes place in industries in which many firms offer the same product/service. Because there is no differentiation among offers, prices are the same for all firms, such is the case of most agricultural products sold as commodities (e.g. wheat, cabbage, onions). There is no benefit to advertising and seller's profits will only be different to the extent that they can achieve lower costs of production or distribution.

3.2 Market-based Analysis

From a market perspective, rather than looking at companies making the same product as its only competitors, a firm looks for its competitors among those companies that satisfy the same customer need. To avoid falling into the Marketing Myopia trap, however, and in order to include all actual and potential competitors, this need has to be defined as broadly as possible. For example, in the coffee business, a company like Nestle envisions as its direct competitors other companies that sell coffee such as Maxwell House and Taster's Choice but should also consider its indirect competitors. These would include any manufacturer that provides coffee makers that compete with its Nespresso coffee makers such as Keurig and Mister Coffee.
The range of current and potential competitors is broad. On the basis of the degree of product substitution, for example, companies can face brand competition, industry competition, form competition and generic competition.

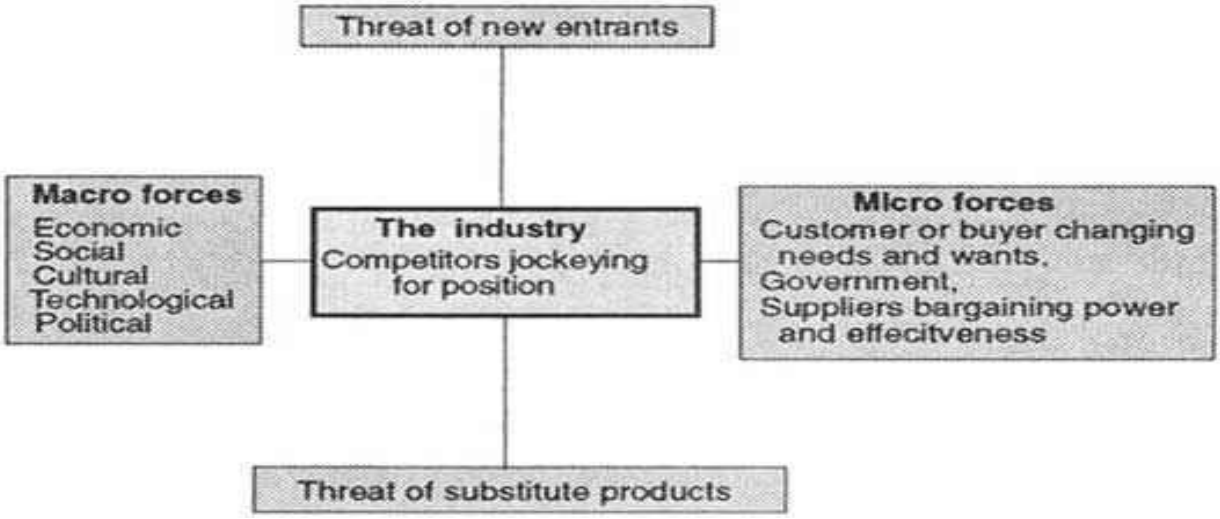
• **Brand Competition:** the firm considers other firms offering a similar product/service to the same customers at similar prices as its competitors. *Example: Coca Cola would see Pepsi Cola as its main competitor*

• **Industry Competition:** the firm uses a broader approach and sees as its competitors all firms making the same product or class of products. *Example: Coca Cola would see all other soda manufacturers as its competitors*

• **Product Competition:** the firm uses an even broader approach and sees its competitors as firms manufacturing products that supply the same service. *Example: Coca Cola would see all other carbonated beverages manufacturers as its competitors*

• **Generic Competition:** the firm could use a still broader approach and see its competitors as firms that compete for the same consumer dollars. *Example: Coca Cola would see all other beverages suppliers as its competitors.*

Factors contributing to competition



porter's five forces model

Porter's Five Forces Model of Competition

Michael Porter (Harvard Business School Management Researcher) designed various vital frameworks for developing an organization's strategy. One of the most renowned among managers making strategic decisions is the five competitive forces model that determines industry structure. According to Porter, the nature of competition in any industry is personified in the following five forces:

i. Threat of new potential entrants
ii. Threat of substitute product/services
iii. Bargaining power of suppliers
iv. Bargaining power of buyers
v. Rivalry among current competitors

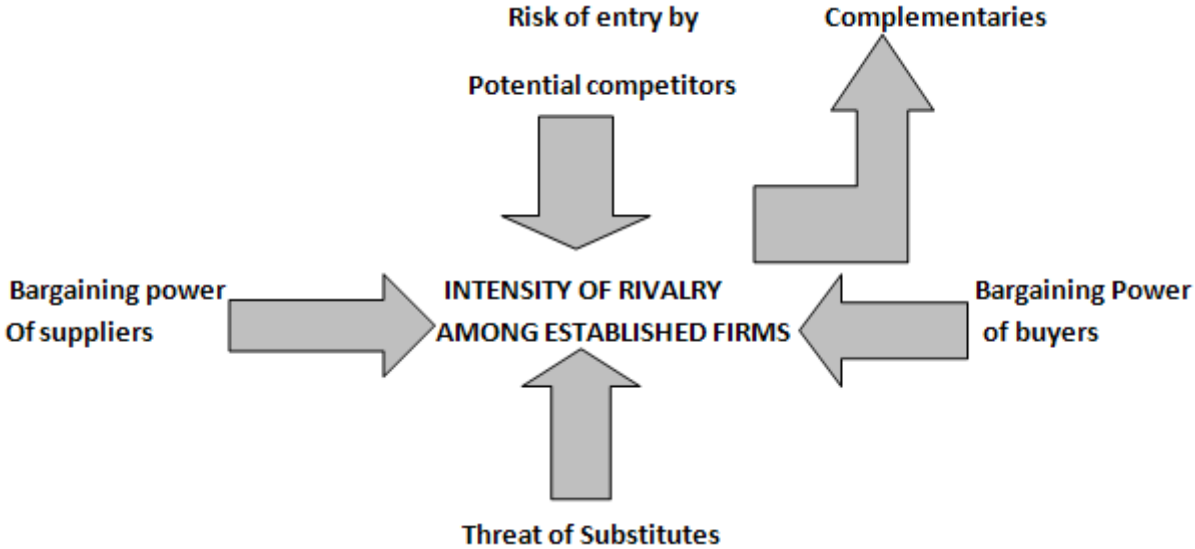


FIGURE: Porter's Five Forces model

The five forces mentioned above are very significant from point of view of strategy formulation. The potential of these forces differs from industry to industry. These forces jointly determine the profitability of industry because they shape the prices which can be charged, the costs which can be borne, and the investment required to compete in the industry. Before making strategic decisions, the managers should use the five forces framework to determine the competitive structure of industry.

Let's discuss the five factors of Porter's model in detail:

1. **Risk of entry by potential competitors:** Potential competitors refer to the firms which are not currently competing in the industry but have the potential to do so if given a choice. Entry of new players increases the industry capacity, begins a competition for market share and lowers the current costs. The threat of entry by potential competitors is partially a function of extent of barriers to entry. The various barriers to entry are-
    - Economies of scale
    - Brand loyalty
    - Government Regulation
    - Customer Switching Costs
    - Absolute Cost Advantage
    - Ease in distribution
    - Strong Capital base
2. **Rivalry among current competitors:** Rivalry refers to the competitive struggle for market share between firms in an industry. Extreme rivalry among established firms poses a strong threat to profitability. The strength of rivalry among established firms within an industry is a function of following factors:
    - Extent of exit barriers
    - Amount of fixed cost
    - Competitive structure of industry
    - Presence of global customers
    - Absence of switching costs
    - Growth Rate of industry
    - Demand conditions
3. **Bargaining Power of Buyers:** Buyers refer to the customers who finally consume the product or the firms who distribute the industry's product to the final consumers. Bargaining power of buyers refer to the potential of buyers to bargain down the prices charged by the firms in the industry or to increase the firms cost in the industry by demanding better quality and service of product. Strong buyers can extract profits out of an industry by lowering the prices and increasing the costs. They purchase in large quantities. They have full information about the product and the market. They emphasize upon quality products. They pose credible threat of backward integration. In this way, they are regarded as a threat.
4. **Bargaining Power of Suppliers:** Suppliers refer to the firms that provide inputs to the industry. Bargaining power of the suppliers refer to the potential of the suppliers to increase the prices of inputs(labour, raw materials, services, etc) or the costs of industry in other ways. Strong suppliers can extract profits out of an industry by increasing costs of firms in the industry. Suppliers products have a few substitutes. Strong suppliers' products are unique. They have high switching cost. Their product is an important input to buyer's product. They pose credible threat of forward integration. Buyers are not significant to strong suppliers. In this way, they are regarded as a threat.
5. **Threat of Substitute products:** Substitute products refer to the products having ability of satisfying customers needs effectively. Substitutes pose a ceiling (upper limit) on the potential returns of an industry by putting a setting a limit on the price that firms can charge for their product in an industry. Lesser the number of close substitutes a product has, greater is the opportunity for the firms in industry to raise their product prices and earn greater profits (other things being equal).

The power of Porter's five forces varies from industry to industry. Whatever be the industry, these five forces influence the profitability as they affect the prices, the costs, and the capital investment essential for survival and competition in industry. This five forces model also help in making strategic decisions as it is used by the managers to determine industry's competitive structure.

Porter ignored, however, a sixth significant factor- complementaries. This term refers to the reliance that develops between the companies whose products work is in combination with each other. Strong complementors might have a strong positive effect on the industry. Also, the five forces model overlooks the role of innovation as well as the significance of individual firm differences. It presents a stagnant view of competition.

Identifying and analyzing competitors

Identifying competitors

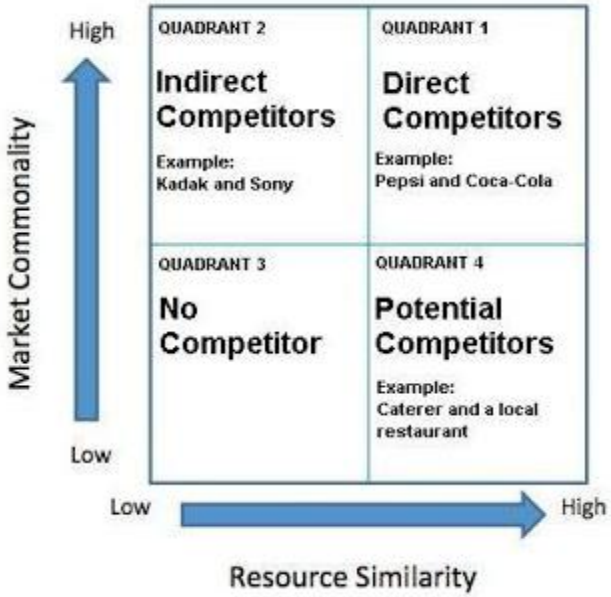
Identifying Competitors

In the process of developing a successful marketing strategy, the first step is to identify the key competitors in your market. Competitor identification is important to increase managerial awareness of competitive threats and opportunities. Identification of key competitors is necessary to gain competitive advantage by offering your customers a greater value than the competitors. Not only current competitors are required to be identified, but future competitors are also to be anticipated.

According to **Ferrell, Hartline, Lucas, and Luck, 1998**, there are different varieties of competitors :-

- **Brand Competitors** - Such type of competitors are those who market exactly similar products, at similar price, and also to the same customers. For example, *Pepsi and Coca-Cola.*
- **Product Competitors** - Such type of competitors are those who market similar products, but with different features and benefits, and at different prices. For example, *Pepsi and Maaza (fruit drink).*
- **Generic Competitors** - Such type of competitors are those who market different products, but provide the same utility or benefit. For example, *Audio cassettes and CDs*, or *Pepsi and Water*
- **Total Budget Competitors** - Such type of competitors are those who market different products, but competing for the same financial resources of the customers. For example, *Pepsi and Potato-chips*.

We use **Peteraf and Bergen (2001)** model for the identification and classification of competitive set. By the use of this model we sort competitors under two categories - Market Commonality and Resource Similarity. We classified candidate competitors on the basis of their resource endowments and the market needs served. Under **Market Commonality**, we sort competitors on the basis of the degree to which they serve market needs similar to the focal firm. Under **Resource Similarity**, we sort competitors on the basis of the degree to which their resource endowment is similar to that of the focal firm in terms of type and composition.



To map the competitive field of a focal firm we have to locate candidate competitors on the graph. On the x-axis we display Resource Similarity as an increasing function. On y-axis we display Market Commonality as an increasing function.

Firm that scores high in both Resource Similarity and Market Commonality is one that serves same market needs with the use of same type of resources as the focal firm. Such firm are found in the Quadrant 1 of the graph. These firms are the **direct competitors** of the focal firm. Example of such firm can be Coca-Cola if Pepsi is the focal firm.

Firm that scores high in Resource Similarity and low in Market Commonality is one that uses same resources as the focal firm, but serves different market needs. Such firms are found in the Quadrant 4 of the graph. These firms are the **potential competitors** of the focal firm. Example of such firm can be a caterer and a local restaurant. Both uses almost similar resources like chefs, kitchen equipment, etc., but their market is different, caterer serves party foods and dinners for large functions, whereas restaurant serves to individuals and small groups.

Firm that scores high in Market Commonality and low in Resource Similarity is one that serves same market needs as the focal firm, but with the use of different resources. Such firms are found in the Quadrant 2 of the graph. These firms are the **indirect competitors** or substitutes. They satisfies similar needs with the use of different resource or technology. For example - Kodak and Sony. Camera may be used to take picture with film based technology using mechanical capabilities or similar picture can be taken using camera based on digital technology. Kodak is a film based technology camera uses mechanical capabilities, whereas Sony is digital technology based camera uses electronic capabilities.

Firm that scores low on both dimensions is one that serves different market and uses different resources than the focal firm. Such firms are entirely outside the competitive set at present, although this could change in future as the firms change their positions. Such firms are found in the Quadrant 3 of the graph. These firms are not the competitors of the focal firm.

Analyzing competitors

Competitor analysis is absolutely essential if you have to grow in a competitive market. It is becoming increasingly important because of rise in competition in each and every sector. Whether electronics, automobiles or FMCG, each sector today is facing immense competition affecting margins and sales. Thus there are some critical steps to be followed by these organizations to outperform their competition. However, they will be able to stand out only when

they KNOW their competition. This is where the step by step competition analysis comes in the picture. Here are the 7 steps for competitor analysis

1) **Identify current and future competitors in the market** – The best way to identify current and future competitors is to target products. Supposing you are currently selling hair oil. You need to know how many branded and unbranded players are there in the market. You need to know if any new company is starting to sell Hair oil or if any current company might stop selling the same. Furthermore, you also need to know how many of your customers prefer some other product over Hair oil. Thus by doing this you know your direct and indirect competition. This is the first step in competition analysis.

2) **Finding market share** – Naturally, once you have identified the competition, the second step is to know their market share. You cannot know the strengths and weaknesses of your competition unless and until you know their presence. Thus if your product is selling in a wide region, you need to break down the region into territories and find out the share of wallet in each territory. While doing this, you can also do a mini market research to find the reason for the sale of your competition. Is it selling because it is easily available, quality is high or price is low. This step will help you perform a SWOT.

3) **Performing SWOT** – Once you know the share of market and you have done your secondary and primary analysis, you need to actually work out the strengths, weaknesses, opportunities and threats for each of your competitor in turn. This is important as this shows where you currently stand in your industry, who do you need to benchmark to move forward and what strategies can be most effective to stay on top or to avoid a drop in rank. The SWOT is indirectly responsible for showing you the steps where you can capitalize and move ahead of your competition.

4) **Build competition portfolio** – Once you know the SWOT of your competitors, you can build a competition portfolio. A competition portfolio will have each and every product of your competitors, their features, logistics, tangible features (product qualities), intangible features (product service) etc. This portfolio needs to be treated like MIS and needs to be updated time to time. The best source for building a competition portfolio is your sales force itself. They are continuously in touch with the market and therefore can immediately notify you of any changes happening in the market.

5) **Plan strategies** – Now you have your complete competition portfolio in front of you. Thus you clearly know your line of action. If the competition is far superior, you have two ways to move forward. You can either try the same strategies as top competitor and slowly move on top OR you can go creative / innovative and try to directly take on the market leader. At the same time, if the competition is average and you can reach the top through some effort, then do not procrastinate and put the best strategies forward to reach the top at the earliest. Remember – If reaching the top takes much effort, then staying on top will take double the effort from the complete organization.

6) **Execute strategies** – Quite simple. Execute the strategies which you think are the best and make sure of executing them effectively. There is no meaning of going to such an effort to analyse a competition and then fail at the implementation part. At the same time, it is very important to have a contingency plan and to anticipate your competitors reaction. If your competitor reacts too strongly, put the contingency plan in place to avoid any long term affects to the brand / product. This might cause you to lose the advantage of surprise, but it definitely gives you more chances to form even better strategies (To be truthful, very few companies have actually gotten their strategies "spot on" the first time itself). Thus contingency plans while executing strategies is very important.

7) **Follow up** – Statistics are always useful for a firm and help the firm in practical decision making. Thus by following up you are making sure of quantitatively and qualitatively measuring

the response to the executed strategy. Ideally, the same should be documented so that future generations of marketers may know the earlier strategies implemented and might be able to revive the same through different angles. At the same time, you might actually execute a strategy which gets excellent response from customers. In these cases too, you need to stick with the same strategy for a longer time and in such cases, it is crucial to have the feedback from your customers so as to know at all times whether the strategies are working effectively. Thus follow up is essential for long term competitor analysis.

In the end, whatever strategies you make, your competitor is going to respond. Thus competitor analysis needs implementation and updation from time to time. There are very few industries in which there are only 3–4 players. In fact, major industries are characterized by as many as 10–20 different competitors (branded, unbranded, direct, indirect). Thus competitor analysis helps you in pin pointing your current standing in the market and the future direction.

In formulating business strategy, managers must consider the strategies of the firm's competitors. While in highly fragmented commodity industries the moves of any single competitor may be less important, in concentrated industries **competitor analysis** becomes a vital part of strategic planning.

Competitor analysis has two primary activities,

1) obtaining information about important competitors, and

2) using that information to predict competitor behavior.

The goal of competitor analysis is to understand:

- with which competitors to compete,
- competitors' strategies and planned actions,
- how competitors might react to a firm's actions,
- how to influence competitor behavior to the firm's own advantage.

Casual knowledge about competitors usually is insufficient in competitor analysis. Rather, competitors should be analyzed systematically, using organized competitor intelligence-gathering to compile a wide array of information so that well informed strategy decisions can be made.

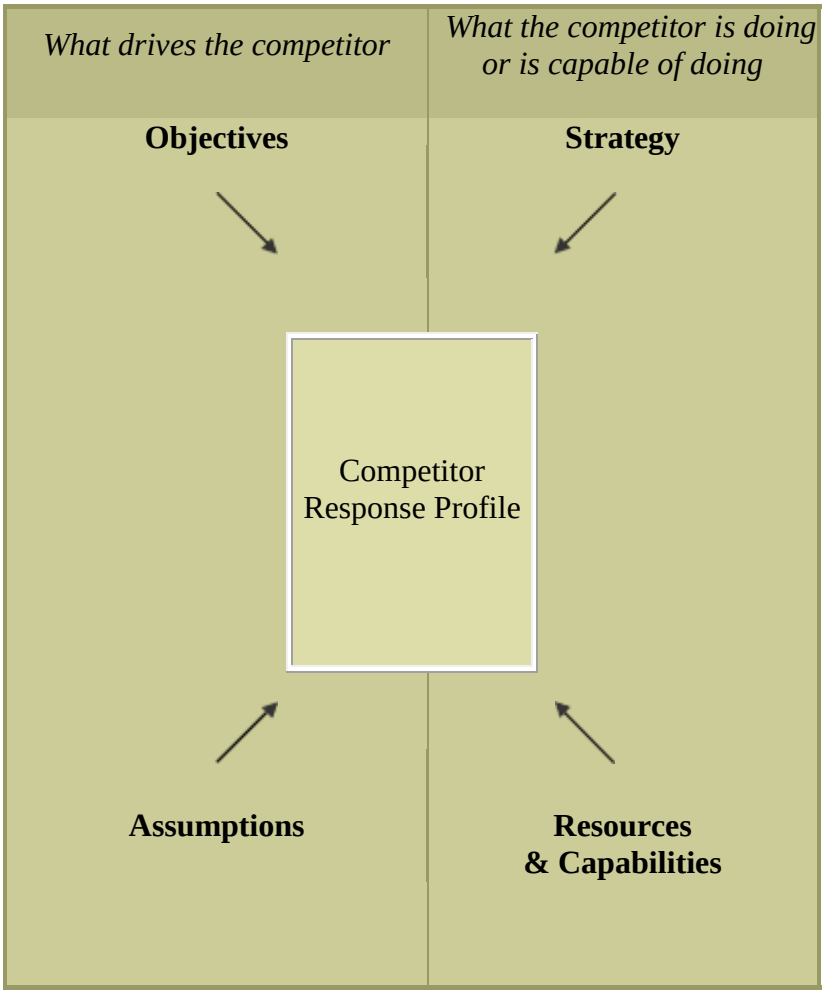
Competitor Analysis Framework

Michael Porter presented a framework for analyzing competitors. This framework is based on the following four key aspects of a competitor:

- Competitor's objectives
- Competitor's assumptions
- Competitor's strategy
- Competitor's capabilities

Objectives and assumptions are what drive the competitor, and strategy and capabilities are what the competitor is doing or is capable of doing. These components can be depicted as shown in the following diagram:

Competitor Analysis Components



Adapted from Michael E. Porter, Competitive Strategy, 1980, p. 49.

A competitor analysis should include the more important existing competitors as well as potential competitors such as those firms that might enter the industry, for example, by extending their present strategy or by vertically integrating.

Competitor's Current Strategy

The two main sources of information about a competitor's strategy is what the competitor says and what it does. What a competitor is saying about its strategy is revealed in:

- annual shareholder reports
- 10K reports
- interviews with analysts
- statements by managers
- press releases

However, this stated strategy often differs from what the competitor actually is doing. What the competitor is doing is evident in where its cash flow is directed, such as in the following tangible actions:

- hiring activity
- R & D projects
- capital investments
- promotional campaigns

- strategic partnerships
- mergers and acquisitions

Competitor's Objectives

Knowledge of a competitor's objectives facilitates a better prediction of the competitor's reaction to different competitive moves. For example, a competitor that is focused on reaching short-term financial goals might not be willing to spend much money responding to a competitive attack. Rather, such a competitor might favor focusing on the products that hold positions that better can be defended. On the other hand, a company that has no short term profitability objectives might be willing to participate in destructive price competition in which neither firm earns a profit.

Competitor objectives may be financial or other types. Some examples include growth rate, market share, and technology leadership. Goals may be associated with each hierarchical level of strategy - corporate, business unit, and functional level.

The competitor's organizational structure provides clues as to which functions of the company are deemed to be the more important. For example, those functions that report directly to the chief executive officer are likely to be given priority over those that report to a senior vice president.

Other aspects of the competitor that serve as indicators of its objectives include risk tolerance, management incentives, backgrounds of the executives, composition of the board of directors, legal or contractual restrictions, and any additional corporate-level goals that may influence the competing business unit.

Whether the competitor is meeting its objectives provides an indication of how likely it is to change its strategy.

Competitor's Assumptions

The assumptions that a competitor's managers hold about their firm and their industry help to define the moves that they will consider. For example, if in the past the industry introduced a new type of product that failed, the industry executives may assume that there is no market for the product. Such assumptions are not always accurate and if incorrect may present opportunities. For example, new entrants may have the opportunity to introduce a product similar to a previously unsuccessful one without retaliation because incumbant firms may not take their threat seriously. Honda was able to enter the U.S. motorcycle market with a small motorbike because U.S. manufacturers had assumed that there was no market for small bikes based on their past experience.

A competitor's assumptions may be based on a number of factors, including any of the following:

- beliefs about its competitive position
- past experience with a product
- regional factors
- industry trends
- rules of thumb

A thorough competitor analysis also would include assumptions that a competitor makes about its own competitors, and whether that assessment is accurate.

Competitor's Resources and Capabilities

Knowledge of the competitor's assumptions, objectives, and current strategy is useful in understanding how the competitor might *want* to respond to a competitive attack. However, its resources and capabilities determine its *ability* to respond effectively.

A competitor's capabilities can be analyzed according to its strengths and weaknesses in various functional areas, as is done in a SWOT analysis. The competitor's strengths define its capabilities. The analysis can be taken further to evaluate the competitor's ability to increase its capabilities in certain areas. A financial analysis can be performed to reveal its sustainable growth rate.

The technique typically used to conduct this analysis is called "SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis". It involves specifying an objective and analyzing the internal factors (strengths and weaknesses internal to the firm) and the external factors (opportunities and threats presented by the external environment) that are favorable or unfavorable to achieving the objective.

• *Internal factors (Strengths and Weaknesses)* encompass factors such as: personnel, firm's culture, finance, manufacturing capabilities, the 4Ps, etc.

• *External factors (Opportunities and Threats)* relate to the opportunities and threats posed by the macro and micro environments. The macro-environment includes demographic, economic, technological, political, legal, social and cultural factors, etc. The micro-environment includes the customers, competitors, distributors and suppliers.

Finally, since the competitive environment is dynamic, the competitor's ability to react swiftly to change should be evaluated. Some firms have heavy momentum and may continue for many years in the same direction before adapting. Others are able to mobilize and adapt very quickly. Factors that slow a company down include low cash reserves, large investments in fixed assets, and an organizational structure that hinders quick action.

Competitor Response Profile

Information from an analysis of the competitor's objectives, assumptions, strategy, and capabilities can be compiled into a response profile of possible moves that might be made by the competitor. This profile includes both potential offensive and defensive moves. The specific moves and their expected strength can be estimated using information gleaned from the analysis.

The result of the competitor analysis should be an improved ability to predict the competitor's behavior and even to influence that behavior to the firm's advantage.

Marketing Planning: Exploring Opportunity, Product –market selection, Marketing Planning Process

MEANING

Planning is deciding in advance what to do and how to do. It is one of the basic managerial functions. Before doing something, the manager must formulate an idea of how to work on a particular task. Thus, planning is closely connected with creativity and innovation. But the manager would first have to set objectives, only then will a manager know where he has to go. Planning seeks to bridge the gap between where we are and where we want to go. Planning is what managers at all levels do. It requires taking decisions since it involves making a choice from alternative courses of action.
Planning, thus, involves setting objectives and developing appropriate courses of action to achieve these objectives.

Objectives provide direction for all managerial decisions and actions. Planning provides a rational approach for achieving predetermined objectives. All members, therefore, need to work towards achieving organisational goals. These goals set the targets which need to be achieved and against which actual performance is measured. Therefore, planning means setting objectives and targets and formulating an action plan to achieve them. It is concerned with both ends and means i.e., what is to be done and how it is to be done.
The plan that is developed has to have a given time frame but time is a limited resource. It needs to be utilised judiciously. If time factor is not taken into consideration, conditions in the environment may change and all business plans may go waste. Planning will be a futile exercise if it is not acted upon or implemented.
Do you think from the above we can formulate a comprehensive definition of planning? One of the ways to do so would be to define planning as setting objectives for a given time period, formulating various courses of action to achieve them, and then selecting the best possible alternative from among the various courses of action available.

IMPORTANCE OF PLANNING

You must have seen in films and advertisements how executives draw up plans and make powerful presentations in boardrooms.
Do those plans actually work?
Does it improve efficiency?
After all why should we plan?
These are numerous questions to which we would like to find solutions. Planning is certainly important as it tells us where to go, it provides direction and reduces the risk of uncertainty by preparing forecasts. The major benefits of planning are given below:

- **Planning provides directions:**
- **Planning reduces overlapping and wasteful activities:**
- **Planning promotes innovative ideas:**
- **Planning facilitates decision making:**
- **Planning establishes standards for controlling:**

FEATURES OF PLANNING

(i) **Planning focuses on achieving objectives:**
(ii) **Planning is a primary function of management:**
(iii) **Planning is pervasive:**
(iv) **Planning is continuous:**
(v) **Planning is futuristic:**
(vi) **Planning involves decision making:**
(vii) Planning is a mental exercise:

LIMITATIONS OF PLANNING

(i) **Planning leads to rigidity:**
(ii) **Planning may not work in a dynamic environment:**
(iii) **Planning reduces creativity:**
(iv) **Planning involves huge costs:**
(v) **Planning is a time-consuming process:**
(vi) **Planning does not guarantee success:**

Exploring Opportunity,

Definition: Market Opportunity Analysis

A tool to identify and access the attractiveness of a business opportunity. It is a part of the business planning or strategy processes wherein before undertaking a new product or service, you analyze the market for it to determine probable profit and revenue from it. One of the most important factors considered and analyzed in market opportunity analysis is the forecasted demand for the product or the service.

ome important questions which one tries to answer through a market opportunity analysis are the most profitable market segment, rate at which the opportunity is growing, competitor and gap analysis, what are the key sustainable differentiation points etc. Through these, one tries to answer questions on how to enter the market and what should be the key value proposition.

Five steps that can be followed to analyze market opportunity analysis

1) Identify the business environmental forces – The factors to consider while analyzing the business environmental factors are - Economic conditions and trends, Legal and regulatory situations and trends, Technological positioning and trends (state of the art; related R&D), Relevant social changes and Natural environment.

2) Describe the industry and its outlook – The factors to be considered while performing industry analysis are - Type of industry, Size -now and in 3-5 years, Types of marketing practices, Major trends and Implications for opportunity.

3) Analyze the key competitors – The factors considered here are - Product description, Market positioning (relative strength and weaknesses, as seen by customers), Market practices: channels, pricing, promotion, service, Estimated market share (if relevant) and Reactions to competition

4) Create a target market profile – The factors to be considered are - Levels: generic needs, product type, specific brands, End-user focus; also channel members, Targeted customer profiles, Who are my potential customers , What are they like as consumers/businesspeople, How do they decide to buy / not buy , Importance of different product attributes and What outside influences affect buying decisions.

5) Set Sales Projections – As many formal or intuitive approaches as possible for determining this should be used and then the results obtained should be compared and then a decision should be taken on go or no go for the product/service in question.

Frame work for market opportunity analysis:

1. **Size of the market**
    a. **Demand analysis**
    b. **Segmentation analysis**
    c. **Industry analysis**
    d. **Competitor analysis**
2. **Marketing strategies**
3. **Marketing programmes**
4. **SWOT analysis**

Product –market selection

Having identified market opportunity, it is now important to carry out a product-market analysis for evolving a marketing plan. Some of the key issues that need to be addressed here are:

What markets need to be served?

Here the markets themselves need to address issues like whether they would want the firm to be in the national or regional market, youth or the grown-up market or the women market. In other words, the identification of the target market is important and becomes the starting point of any analysis.

What form should the product take?

For example, should the product be marketed as a commodity or as a branded product?

What should the product offer for use?

For example, conservation of energy resulting in low electricity bills is important for marketing of consumer appliances operated on electrical mains.

For whom is the product most important?

This decision would help in focusing market communications to a specific individual. For example the washing machine becomes an important product for the housewife; hence all communications from a firm marketing washing machine should be addressed to her.

Making Product/ Market Choices
Having considered issues pertaining to the market, the marketer now needs to turn his attention to making specific products-market choices. These relate to the following choices:

Horizontal Markets or Horizontal Diversification

Horizontally, markets can be segmented in terms of end-use. For example, an airline firm flying people from one destination to another in a region may also decide to diversify in the courier business and fly papers and cargo on its route. Like wise, a consumer appliances firm manufacturing toasters, mixers and geysers, targeted at middle income groups may decide to diversify into high-tech products like the microwave oven. This product will be used by upper middle and higher income group people.

Horizontal diversification generally starts with a technical innovation or up gradation and involves identification of market segments and product forms that will give the firm desired competitive advantage .One has seen a similar kind of diversification in electronic firms making entertainment products like radios, television sets and tape recorders. In the case of TV manufacturers, as soon as the government started color telecast in 1982 and allowed firms to import color TV kits on CKD (completely knocked down) basis, all of them diversified into the color TV market which was initially targeted at higher middle and higher income groups. But as technology developed, analog and digital color TVs were also added on by some of the firms in their product-mix. One does observe similar trends in service areas like banking, airlines, etc.

A decision to horizontally diversify is based on the following considerations:

1.Firmâ€™s assessment of its strength and weakness
2.Market potential in the target market, or size of the target market.
3.Intensity of rivalry in the selected product-market.
4.Entry and exit barriers in the selected industry.

5.Value addition by manufacturers or conversely how is the ratio of the cost of materials and purchased parts to the selling price.

Vertical Product Market Choice

Vertical productâ€"market choice refers to the market level at which the supplier sells. For example, a firm manufacturing and marketing gears may also start manufacturing and/or selling of gear-cutting tools and machines, as also fitment gauges that may be used by mechanics for enabling gear fitment in a systematic manner. This is exactly the case with Gajra Bevel Gears, which besides marketing differential and transmission gears, also markets fitment gauges. The Company believes that most mechanics in the country are not properly educated and do not follow a systematic method of gear fitment .Thus leading to product failure. In order to help them overcome this problem and also ensure lesser failures, the company decided to sell these gauges at subsidized prices to mechanics.

Like wise, cigarette companies realize that the quality of their product can get adversely affected if they use poor quality tobacco leaf or paper or even filter. Consequently they have diversified into these product groups also.

Selecting the Market Segments:

Once a marketer has evaluated the different segments for their size, growth, and attractiveness, and found that they are compatible with the company's objectives and resources, the obvious step is to go far selecting the market segments. There are five patterns of target market selection, which was first put forward by D F Abell:

ADVERTISEMENTS:

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1. Single Segment Concentration

2. Selective Segment Specialisation

3. Market Specialisation

4. Product Specialisation

ADVERTISEMENTS:

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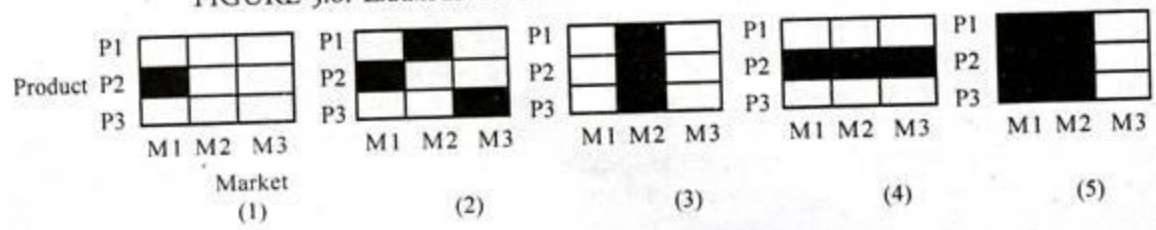
5. Full Coverage

Let us try to understand this taking example of a company X in electric appliances market.

FIGURE 3.6: EXAMPLE OF DIFFERENT TYPES OF MARKET SELECTION



The company can consider 5 patterns of target market selection as described below:

1. Single Segment Concentration:

In this case, the marketer prefers to go for single segment. In our hypothetical example, the company X uses this strategy when it produces a typical product for a single type of market like plasma TV. In real life, companies like Allahabad Law Agency (only law books) and BPB publications (only Computer books) are good examples. The company may adopt this strategy if it has strong market position, greater knowledge about segment-specific-needs, specified reputation and probable leadership position.

2. Selective Segment Specialisation:

This is known as multistage coverage because different segments are sought to be captured by the company. The company selects a number of segments each of which is attractive, potential and appropriate. There may be little or no synergy among the segments, but this strategy has the advantage of diversifying the firm's risk.

In our example, if the company X produces plasma TV as well as Walkman, the two different types of products obviously for two different types of markets, then it can be cited as an example of Selective Segment Specialisation strategy. Bata shoes were mostly in the popular segment until beginning of 1990s. Then, it turned itself into premium segment while still retaining the appeal of popular segment. The taking of select segments of shoe market could not help Bata to gain full control of market. After 1995, it has come back again to the popular segment.

3. Market Specialisation:

Here the company takes up a particular market segment for supplying all relevant products to the target group. In our example, the company X can implement Market Specialisation strategy by producing all sorts of home appliances like TV, washing machine, refrigerator and micro oven for middle class people.

Here the chosen segment is the middle class and the firm specializes in that market only. Sudha Publications Pvt. Ltd. publishes and sells books for the students and job-hunters that include competition books (CAT, IIT-JEE, IAS), general knowledge books and personality development books.

4. Product Specialisation:

Product specialisation occurs when a company sells certain products to several different types of potential customers. In our example, if the company X produces only a particular type of gizmo like toaster that is consumed by all type of people, they we can say that the company uses Product Specialisation strategy. Product specialisation promises strong recognition of customer within the product areas. Super Precision Components supply small nuts and screws for use in military, industry and daily use.

5. Full Coverage:

The company attempts to serve all customer groups with all the products they might need. Only very large firms can undertake a full market coverage strategy that can be done in 2 ways:

i. Undifferentiated marketing or convergence:

The company ignores market segment differences and goes after the whole market with one market offer. It focuses on a basic buyer need rather than on differences among buyers.

ii. Differentiated marketing or divergence:

The company operates in several market segments and designs different programmes for each segment. It creates more total sales than the former. But the following costs would be higher:

a) Product modification cost

b) Manufacturing cost

c) Administrative cost

d) Inventory cost

e) Promotion cost

As both the sales and the costs are higher, the profitability for this strategy cannot be ascertained. Companies should be cautious about over segmenting the market. If it happens, the company must seek counter segmentation to broaden the customer base. Johnson & Johnson broadened its target market for its baby shampoo to include adults. It is very difficult to serve all segments of the market. Big companies can go for full market coverage.

In our example, the company can use Full Coverage strategy if it has all sorts of electric appliance products for all types of people. In carbonated soft drink market, Coca-Cola follows Full Market Coverage approach to their product-market matrix. They have Thums-Up, Coca-Cola, Limca, Sprite, Fanta that are different tastes and are consumed by different types of people. The company even made its entry into other drinks segments like mineral water (Kinley) and tea (Georgia).

Marketing Planning Process

PLANNING PROCESS

Planning, as we all know is deciding in advance what to do and how to do.
It is a process of decision making.
How do we go about making a plan?
Since planning is an activity there are certain logical steps for every manager to follow.
(i) **Setting Objectives:** The first and foremost step is setting objectives. Every organisation must have certain objectives. Objectives may be set for the entire organisation and each department or unit within the organisation. Objectives or goals specify what the organisation wants to achieve. It could mean an increase in sales by 20% which could be objective of the entire organisation. How all departments would contribute to the organisational goals is the plan that is to be drawn up.
Objectives should be stated clearly for all departments, units and employees. They give direction to all departments. Departments/ units then need to set their own objectives within the broad framework of the organisation's philosophy. Objectives have to percolate down to each unit and employees at all levels. At the same time, managers must contribute ideas and participate in the objective setting process.
They must also understand how their actions contribute to achieving objectives. If the end result is clear it becomes easier to work towards the goal.
(ii) **Developing Premises:** Planning is concerned with the future which is uncertain and every planner is using conjucture about what might happen in future.
Therefore, the manager is required to make certain assumptions about the future. These assumptions are called premises. Assumptions are the base material upon which plans are to be drawn. The base material may be in the form of forecasts, existing plans or any past information about policies. The premises or assumptions must be the same for all and there should be total agreement on them. All managers involved in planning should be familiar with and using the same assumptions. For example, forecasting is important in developing premises as it is a technique of gathering information.

Forecasts can be made about the demand for a particular product, policy change, interest rates, prices of capital goods,tax rates etc. Accurate forecasts, therefore become essential for successful plans.

(iii) **Identifying alternative courses of action:**

Once objectives are set, assumptions are made. Then the next step would be to act upon them. There may be many ways to act and achieve objectives. All the alternative courses of action should be identified. The course of action which may be taken could be either routine or innovative. An innovative course may be adopted by involving more people and sharing their ideas. If the project is important, then more alternatives should be generated and thoroughly discussed amongst the members of the organisation.

(iv) **Evaluating alternative courses:**

The next step is to weigh the pros and cons of each alternative. Each course will have many variables which have to be weighed against each other. The positive and negative aspects of each proposal need to be evaluated in the light of the objective to be achieved.

In financial plans, for example, the risk-return trade-off is very common. The more risky the investment, the higher the returns it is likely to give. To evaluate such proposals detailed calculations of earnings, earnings per share, interest, taxes, dividends are made and decisions taken.

Accurate forecasts in conditions of certainty/uncertainty then become vital assumptions for these proposals. Alternatives are evaluated in the light of their feasibility and consequences.

(v) **Selecting an alternative:**

This is the real point of decision making. The best plan has to be adopted and implemented. The ideal plan, of course, would be the most feasible, profitable and with least negative consequences.

Most plans may not always be subjected to a mathematical analysis. In such cases, subjectivity and the manager's experience, judgment and at times, intuition play an important part in selecting the most viable alternative.

Sometimes, a combination of plans may be selected instead of one best course. The manager will have to apply permutations and combinations and select the best possible course of action.

(vi) **Implement the plan:**

This is the step where other managerial functions also come into the picture. The step is concerned with putting the plan into action i.e., doing what is required. For example, if there is a plan to increase production then more labour, more machinery will be required. This step would also involve organising for labour and purchase of machinery.

(vii) **Follow-up action:**

To see whether plans are being implemented and activities are performed according to schedule is also part of the planning process. Monitoring the plans is equally important to ensure that objectives are achieved.

Market Research and Information Systems: Research Process, The Internet and World Wide Web based Information collection and processing, Database, Data Warehouses and Data Mining, Global Market Research.

What is Marketing Research ?

Any discussion of the importance of information to the marketer must include a discussion of marketing research. Marketing research allows managers to make decisions based on objective data, gathered systematically, rather than on intuition. What is the distinction between marketing research and other forms of marketing information ? Even without a formal research program, a manager will have some information about what is going on in the world. Simply by reading the newspaper or watching TV, he or she may discover that a competitor has announced a new produced, that the inflation rate is stabilizing, or that a new highway will be built and a shopping mall erected north of town. All of these things may affect the marketer's business, and this information is certainly handy to have, but is it the result of marketing research ?

The answer to this question is no. Marketing research is the systematic and objective process of generating information for use in making marketing decision. This process includes defining the problem and identifying what information is required to solve the problem, designing a method

for collecting information, managing and implementing the collection of data, analyzing the result, and communicating the findings and their implications.

Marketing research : *The systematic and objective process of generating information for use in marketing decision making.*

This definition suggests that marketing research is a special effort rather than a haphazard attempt at gathering information. Thus, glancing at a news magazine on an airplane or overhearing a rumor is not conducting marketing research. Even if a rumor or a fact casually overheard becomes the foundation of a marketing strategy, that strategy is not a product of marketing research because it was not based on information that was systematically and objectively gathered and recorded. The term *marketing research* suggests a specific, serious effort to generate new information. The term *research* suggests a patient, objective, and accurate search.

The systematic design, collection, interpretation, and reporting of information to help marketers solve specific marketing problems or take advantage of marketing opportunities.

Scope of Marketing Research

The scope of marketing research is very wide and it provides useful information about all the aspects of marketing, for instance :

1. **Product or service features desired by the customers :** This information can be collected from the customers through a well defined research instrument. Furthermore the relative importance of various features can also be obtained.
2. **Pricing :** The information regarding the prices charged by the competitors for the same and nearly same products or services can be obtained by market survey.
3. **Consumer Behaviour :** The research can be conducted to know about buying habits of the consumers. Information can be obtained regarding why consumers buy something; when do they buy it; from where they buy; how much do they buy; who accompanies them during the shopping etc. Information to these key question will help the marketer in improving his offering.
4. **Distribution :** The information can be obtained about the effectiveness of channel member their motivation level and what needs to be done to improve their motivation level, in identifying the training needs etc.
5. **Promotion :** Vital information can be obtained regarding the media habits of consumers which can provide vital inputs for the media planning. Advertising effectiveness can also be measured by pre and post testing techniques which can help in identifying the best advertisement and its impact on the consumers. The consumers response both qualitative and quantitative can help in identifying the best sales promotion technique for ones product or service.

Almost all programs in business require students to take a course in something called *information systems*. But what exactly does that term mean? Let's take a look at some of the more popular definitions, first from Wikipedia and then from a couple of textbooks:

- "Information systems (IS) is the study of complementary networks of hardware and software that people and organizations use to collect, filter, process, create, and distribute data."[1]
- "Information systems are combinations of hardware, software, and telecommunications networks that people build and use to collect, create, and distribute useful data, typically in organizational settings."[2]
- "Information systems are interrelated components working together to collect, process, store, and disseminate information to support decision making, coordination, control, analysis, and viualization in an organization."[3]

As you can see, these definitions focus on two different ways of describing information systems: the *components* that make up an information system and the *role* that those components play in an organization. Let's take a look at each of these.

Uses for Market Research

The following paragraphs mention some of the primary uses for market research. Useful data collection methods are associated with most of the items in the following list.

1. Identify opportunities to serve various groups of customers.

Verify and understand the unmet needs of a certain group (or market) of customers. What do they say that they want? What do they say that they need? Some useful data collection methods might be, for example, conducting focus groups, interviewing customers and investors, reading the newspaper and other key library publications, and listening to what clients say and observing what they do. Later on, you might even develop a preliminary version of your product that you pilot, or test market, to verify if the product would sell or not.

2. Examine the size of the market – how many people have the unmet need.

Identify various subgroups, or market segments, in that overall market along with each of their unique features and preferences. Useful data collection methods might be, for example, reading about demographic and societal trends in publications at the library. You might even observe each group for a while to notice what they do, where they go and what they discuss. Consider interviewing some members of each group. Finally, consider conducting a focus group or two among each group.

3. Determine the best methods to meet the unmet needs of the target markets.

How can you develop a product with the features and benefits to meet that unmet need? How can you ensure that you have the capacity to continue to meet the demand? Here's where focus groups can really come in handy. Conduct some focus groups, including asking them about their preferences, unmet needs and how those needs might be met. Run your ideas past them. At the same time, ask them what they would need to use your services and what they would pay for them.

4. Investigate the competition.

Examine their products, services, marketing techniques, pricing, location, etc. One of the best ways to understand your competitors is to use their services. Go to their location, look around and look at some of their literature. Notice their ads in newsletters and the newspaper. Look at their web sites.

5. Clarify your unique value proposition.

Your proposition describes why others should use your organization and not the competition's. A particularly useful data collection method in this area is the use of focus groups. Get some groups of potential clients together and tell them about your ideas. Tell them how your ideas are unique. Tell them how you would want your program to be seen (its positioning). Ask them what they think.

6. Conclude if the product is effectively meeting the needs of the customers.

One of the best ways to make this conclusion is to conduct an evaluation. An evaluation often includes the use of various data collection methods, usually several of them, for example, observing clients, interviewing them, administrating questionnaires with them, developing some case studies, and, ideally, conducting a product field test, or pilot.

7. Conclude if your advertising and promotions strategies are effective or not.

One of the best ways to make this conclusion is to evaluate the results of the advertising. This could include use of several data collection methods among your clients, such as observing clients, interviewing them, administrating questionnaires with them, developing some case studies.

The Components of Information Systems

As I stated earlier, I spend the first day of my information systems class discussing exactly what the term means. Many students understand that an information system has something to do with databases or spreadsheets. Others mention computers and e-commerce. And they are all right, at least in part: information systems are made up of different components that work together to provide value to an organization.

The first way I describe information systems to students is to tell them that they are made up of five components: hardware, software, data, people, and process. The first three, fitting under the technology category, are generally what most students think of when asked to define information systems. But the last two, people and process, are really what separate the idea of information systems from more technical fields, such as computer science. In order to fully understand information systems, students must understand how all of these components work together to bring value to an organization.

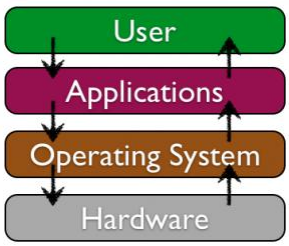
Technology

Technology can be thought of as the application of scientific knowledge for practical purposes. From the invention of the wheel to the harnessing of electricity for artificial lighting, technology is a part of our lives in so many ways that we tend to take it for granted. As discussed before, the first three components of information systems – hardware, software, and data – all fall under the category of technology. Each of these will get its own chapter and a much lengthier discussion, but we will take a moment here to introduce them so we can get a full understanding of what an information system is.

Hardware

Information systems hardware is the part of an information system you can touch – the physical components of the technology. Computers, keyboards, disk drives, iPads, and flash drives are all examples of information systems hardware. We will spend some time going over these components and how they all work together in chapter 2.

Software



Software is a set of instructions that tells the hardware what to do. Software is not tangible – it cannot be touched. When programmers create software programs, what they are really doing is simply typing out lists of instructions that tell the hardware what to do. There are several categories of software, with the two main categories being operating-system software, which makes the hardware usable, and application software, which does something useful. Examples of operating systems include Microsoft Windows on a personal

computer and Google's Android on a mobile phone. Examples of application software are Microsoft Excel and Angry Birds. Software will be explored more thoroughly in chapter 3.

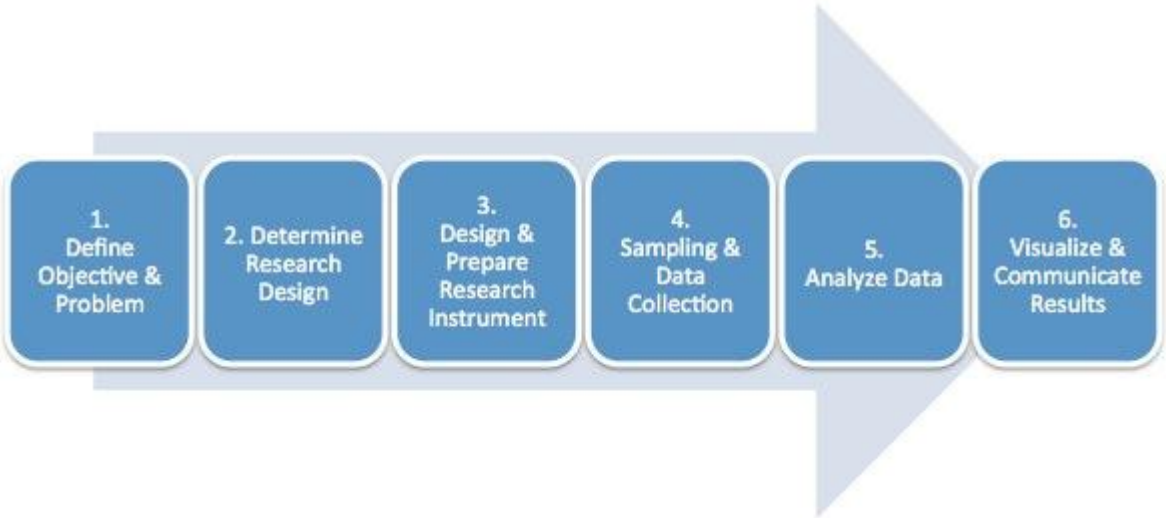
Data

The third component is data. You can think of data as a collection of facts. For example, your street address, the city you live in, and your phone number are all pieces of data. Like software, data is also intangible. By themselves, pieces of data are not really very useful. But aggregated, indexed, and organized together into a database, data can become a powerful tool for businesses. In fact, all of the definitions presented at the beginning of this chapter focused on how information systems manage data. Organizations collect all kinds of data and use it to make decisions. These decisions can then be analyzed as to their effectiveness and the organization can be improved. Chapter 4 will focus on data and databases, and their uses in organizations.

The Stages in the Research Process

The Market Research Process: 6 Steps to Success

The **market research process** is a systematic methodology for informing business decisions. The figure below breaks the process down into six steps:



The Market Research Process

Step 1. Define the Objective & Your "Problem"
Perhaps the most important step in the market research process is defining the goals of the project. At the core of this is understanding the root question that needs to be informed by market research. There is typically a key business problem (or opportunity) that needs to be acted upon, but there is a lack of information to make that decision comfortably; the job of a market researcher is to inform that decision with solid data. Examples of "business problems" might be "How should we price this new widget?" or "Which features should we prioritize?"

By understanding the business problem clearly, you'll be able to keep your research focused and effective. At this point in the process, well before any research has been conducted, I like to imagine what a "perfect" final research report would look like to help answer the business question(s). You might even go as far as to mock up a fake report, with hypothetical data, and ask your audience: "If I produce a report that looks something like this, will you have the information you need to make an informed choice?" If the answer is yes, now you just need to

get the real data. If the answer is no, keep working with your client/audience until the objective is clear, and be happy about the disappointment you've prevented and the time you've saved.

Step 2. Determine Your "Research Design"

Now that you know your research object, it is time to plan out the type of research that will best obtain the necessary data. Think of the "research design" as your detailed plan of attack. In this step you will first determine your market research method (will it be a survey, focus group, etc.?). You will also think through specifics about how you will identify and choose your sample (who are we going after? where will we find them? how will we incentivize them?, etc.). This is also the time to plan where you will conduct your research (telephone, in-person, mail, internet, etc.). Once again, remember to keep the end goal in mind–what will your final report look like? Based on that, you'll be able to identify the types of data analysis you'll be conducting (simple summaries, advanced regression analysis, etc.), which dictates the structure of questions you'll be asking.

Your choice of research instrument will be based on the nature of the data you are trying to collect. There are three classifications to consider:

Exploratory Research – This form of research is used when the topic is not well defined or understood, your hypothesis is not well defined, and your knowledge of a topic is vague. Exploratory research will help you gain broad insights, narrow your focus, and learn the basics necessary to go deeper. Common exploratory market research techniques include secondary research, focus groups and interviews. Exploratory research is a qualitative form of research.

Descriptive Research – If your research objective calls for more detailed data on a specific topic, you'll be conducting quantitative descriptive research. The goal of this form of market research is to measure specific topics of interest, usually in a quantitative way. Surveys are the most common research instrument for descriptive research.

Causal Research – The most specific type of research is causal research, which usually comes in the form of a field test or experiment. In this case, you are trying to determine a causal relationship between variables. For example, does the music I play in my restaurant increase dessert sales (i.e. is there a causal relationship between music and sales?).

Step 3. Design & Prepare Your "Research Instrument"

In this step of the market research process, it's time to design your research tool. If a survey is the most appropriate tool (as determined in step 2), you'll begin by writing your questions and designing your questionnaire. If a focus group is your instrument of choice, you'll start preparing questions and materials for the moderator. You get the idea. This is the part of the process where you start executing your plan.

By the way, step 3.5 should be to test your survey instrument with a small group prior to broad deployment. Take your sample data and get it into a spreadsheet; are there any issues with the data structure? This will allow you to catch potential problems early, and there are always problems.

Step 4. Collect Your Data

This is the meat and potatoes of your project; the time when you are administering your survey, running your focus groups, conducting your interviews, implementing your field test, etc. The answers, choices, and observations are all being collected and recorded, usually in spreadsheet

form. Each nugget of information is precious and will be part of the masterful conclusions you will soon draw.

Step 5. Analyze Your Data

Step 4 (data collection) has drawn to a close and you have heaps of raw data sitting in your lap. If it's on scraps of paper, you'll probably need to get it in spreadsheet form for further analysis. If it's already in spreadsheet form, it's time to make sure you've got it structured properly. Once that's all done, the fun begins. Run summaries with the tools provided in your software package (typically Excel, SPSS, Minitab, etc.), build tables and graphs, segment your results by groups that make sense (i.e. age, gender, etc.), and look for the major trends in your data. Start to formulate the story you will tell.

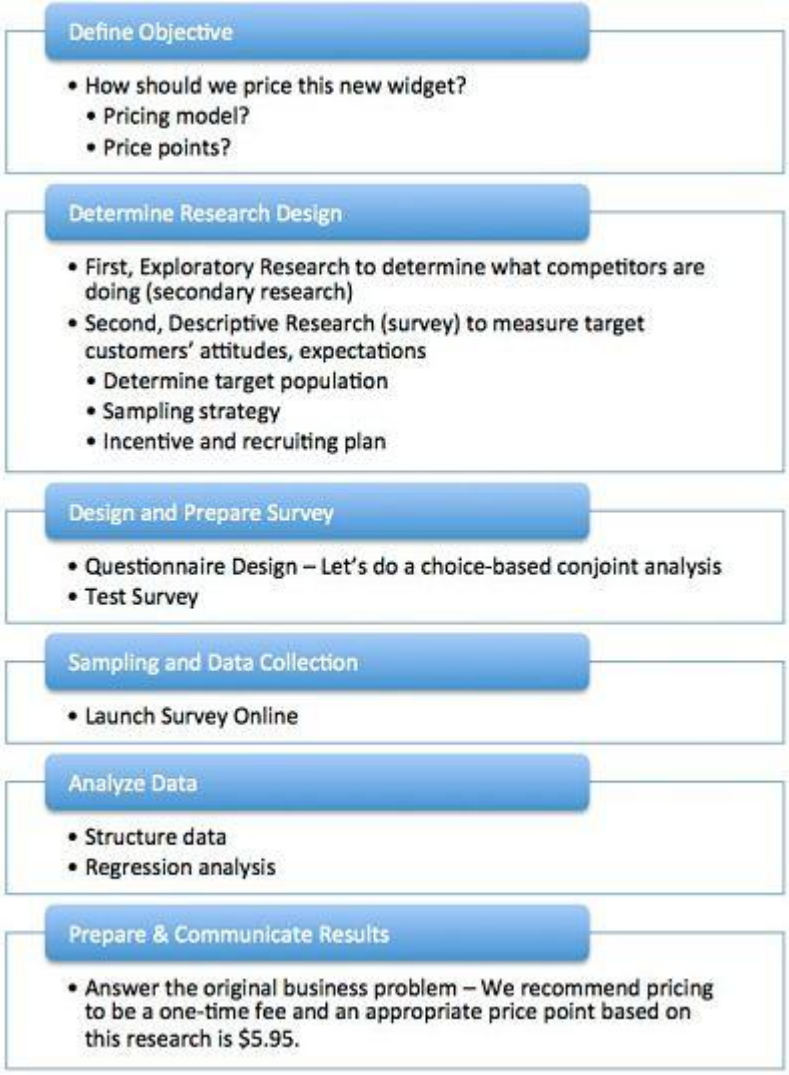
Step 6. Visualize Your Data and Communicate Results

You've spent hours pouring through your raw data, building useful summary tables, charts and graphs. Now is the time to compile the most meaningful take-aways into a digestible report or presentation. A great way to present the data is to start with the research objectives and business problem that were identified in step 1. Restate those business questions, and then present your recommendations based on the data, to address those issues.

When it comes time to presenting your results, remember to present *insights*, *answers* and *recommendations*, not just charts and tables. If you put a chart in the report, ask yourself "what does this mean and what are the implications?" Adding this additional critical thinking to your final report will make your research more actionable and meaningful and will set you apart from other researchers.

While it is important to "answer the original question," remember that market research is one input to a business decision (usually a strong input), but not the only factor.

So, that's the market research process. The figure below walks through an example of this process in action, starting with a business problem of "how should we price this new widget?"



An Example of the Market Research Process in Action

Marketing to not an exact science like physics, but that does not mean that marketers and marketing researchers should not try to approach their jobs in a scientific manner. Marketing research is a systematic inquiry into the characteristics of the marketplace, just as astronomy is a systematic investigation of the stars and planets. Both use stepby-step approaches to gain knowledge.

The steps in the research process are highly interrelated and one step leads to the next. Moreover, the stages in the research process often overlap. Disappointments encountered at one stage may necessitate returning to previous stages or even starting all over again. Thus, it is something of an oversimplification to present marketing research as a neatly ordered sequence of activities. Still, marketing research often follows a generalized pattern of seven stages. These stages are

(1) Defining the problem,
(2) Planning the research design,
(3) Selecting a sample,
(4) Collecting data,
(5) Analyzing data,
(6) Drawing conclusions and preparing a report, and
(7) Following up.

The Internet and World Wide Web based Information collection and processing,

Data Collection in Marketing Research is a detailed process in which a planned search for all relevant data is made by researcher.

Types of Data

1. **Primary Data-** Primary data is the data which is collected first hand specially for the purpose of study. It is collected for addressing the problem at hand. Thus, primary data is original data collected by researcher first hand.
2. **Secondary data-** Secondary data is the data that have been already collected by and readily available from other sources. Such data are cheaper and more quickly obtainable than the primary data and also may be available when primary data can not be obtained at all.

Data Collection Methods

1. **Qualitative Research-** Qualitative Research is generally undertaken to develop an initial understanding of the problem. It is non statistical in nature. It uses an inductive method, that is, data relevant to some topics are collected and grouped into appropriate meaningful categories. The explanations are emerged from the data itself. It is used in exploratory research design and descriptive research also. Qualitative data comes into a variety of forms like interview transcripts; documents, diaries and notes made while observing. There are two main methods for collecting Qualitative data
    a. Direct Collection Method-When the data is collected directly, it makes use of disguised method. Purpose of data collection is not known. This method makes use of-
        i. Focus Groups
        ii. Depth Interview
        iii. Case Study
    b. Indirect Collection-Method
        i. Projective Techniques
2. **Quantitative Research-** Quantitative Research quantifies the data and generalizes the results from the sample to the population. In Quantitative Research, data can be colleted by two methods
    1. Survey Method
    2. Observation Method

Qualitative Research

Focus

In a nutshell, qualitative research gives us vital insights in comprehending why do consumers feel or behave in a manner they do. It helps in identifying and perceiving the underlying opinions, behaviour patterns and motivations. Qualitative research aids the formulation of hypothesis to be used for deeper exploration or quantification. In a way, it adds richness to the information gathered by quantitative research by understanding instead of measuring. To sum up, the qualitative approach helps decipher the less rational and more emotional perspective of the consumer's decision making nature, i.e. how would I feel if I were in the consumers' shoes?

Usage

Qualitative studies assist in the following business situations:

- Market Study: Analyzing consumer interest in the company's new idea in a particular demographic.

- New Product Development: Understanding the actual need of the end user.
- Creative Development Research: Pertaining to branding; what should be said and how should it be said.
- Diagnostic Studies: Understanding how is the company's category or brand doing as compared to the competitor's offerings and image respectively.

Techniques

Qualitative research can be carried out by:

1. **Focus Group Discussions:** This is the most effective and preferred technique for qualitative studies. Respondents, in a group of 5-8 people, are made comfortable and asked general questions first. Gradually, the conversation is shifted to the topic of research. It helps obtain initial reactions to marketing programs or understand the consumers' impressions about a new product concept.
2. **In Depth Interviews:** Personal interviews are conducted instead of focus groups in the following cases:
    - Discussing sensitive, confidential or embarrassing topics (Example: Women's hygiene issues)
    - Requirement of detailed probing (Example: Purchase psychology for an automobile is best done with the respondent one on one)
    - Situations where the respondent may get influenced by the group response (Example: Opinion on TV censorship where social norms prevail)
    - Interviews with highly professional people with busy schedules (Example: Understanding required from doctors on a new medical topic)

Another term associated with qualitative research and worth mentioning here are projective techniques. These are ways of extracting information from respondents that capture the emotions in consumer behaviour. Often direct questions do not bring out the hidden motivations as consumers are themselves not fully aware of their reasons and naturally are not able to express themselves fully. Direct questions may give sensible answers, but they may not necessarily be ‘real’ answers. For this reason, projective techniques such as the below ones are used:

- Brand Personalities: The strength of advertising can be tested by imagining brands as persons or objects. For example, asking that if Sunsilk was a person, what would he be like?
- Collages: Asking respondents to draw collages of a brand to help understand what consumers think about symbols used for advertising the brand.
- Word Association: First word that comes to mind upon mentioning a particular word. For example if the word Coke brings out the first mentioned word as happiness, Coke is maintaining its strong brand image.

Quantitative Research

Focus

The aim of this method is to consume numerical data and present facts or uncover patterns in the study. The aftermath of quantitative research is results that are projectable because they are drawn statistically. Basically, while qualitative research is subjective, the quantitative method is more objective. Another characteristic of quantitative research is that it is drawn from a reasonably sized and carefully selected sample which is representative of the target population. The methods of choosing a proper sample are discussed in the previous chapter. Typically, a terminology of 95% confidence interval is considered good while deciding the sample sizes. This actually means that if the survey is reoccurred 100 times, 95 times the same response would be obtained.

Usage

Quantitative research is most widely used for determining cause effect relations. For example, if the marketing budget is increased by 15%, how much is the revenue expected to increase. If the strength between the dependent (revenue) and independent (marketing budget) variable is strong, the test hypothesis holds true and the company should invest more in its marketing. Thus a decisive stance can be taken from the facts presented in this research.

Techniques

Data collection for quantitative studies is done by various kinds of surveys using questionnaires. The survey can be done through various mediums such as face-to-face, email, telephonic, online, etc. Designing questionnaires for a survey is a detailed topic which will be covered in the next chapter. For now, we will explore the methods for conducting a survey.

- **Mail survey:** Mail surveys are convenient and maintain anonymity of the respondent. They are also relatively inexpensive. However the major drawback is that feedback cannot be obtained from the respondent.
- **Telephonic & Face-to-face survey:** There is little scope of error in these types of survey as the interviewer is available for assistance. However, while guiding, the interviewer may sometimes influence the respondent leading to biased answers.
- **Online:** Surveys carried out over the internet are gaining popularity these days as they can reach a wide audience. The downside is that without incentive, the respondent at the end may not be interested in taking up the survey or answering all questions seriously.
- **Hybrid:** A fusion of techniques can be used to record better responses. A commonly used hybrid method is Telephone-Mail-Telephone (TMT) wherein respondents are instructed over the phone and then sent the survey over mail to be filled at their convenience.

The choice of the above mediums depends on the budget, time and complexity. If budget is a constraint, mail surveys can be used. Online surveys are instant and hence should be deployed when there is a time crunch. When interaction is required, personal or telephonic surveys must be utilized.

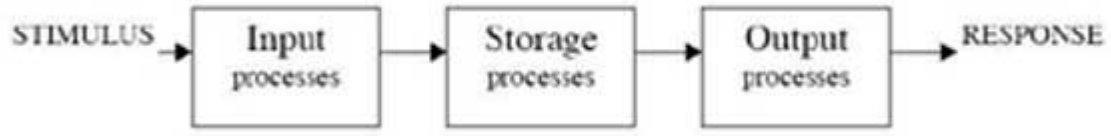
How do we interact with and process information in our daily lives? Psychologists use the theory of information processing to explain it. They also use the theory to talk about our stages of memory.

What Is Information Processing?

When you look at your computer, do you think of your brain? It might sound like a strange idea, but it's pretty much the connection psychologists have drawn in the development of the **information processing** theory. With the momentum of technology in the past few decades, there have been comparisons made between the way a computer operates and the way our mind does. Just as a computer receives, stores and brings up information, so do our minds as we live day by day. As the theory outlines, there are four steps in processing and handling events from our surroundings: attending, encoding, storing and retrieving.

Stages of Information Processing

The Information Processing System



Information processing models consist of a series of stages, or boxes, which represent stages of processing. Arrows indicate the flow of information from one stage to the next.

* **Input** processes are concerned with the analysis of the stimuli.

* **Storage** processes cover everything that happens to stimuli internally in the brain and can include coding and manipulation of the stimuli.

* **Output** processes are responsible for preparing an appropriate response to a stimulus.

Let's follow Jessica's story in order to watch the process unfold. Jessica is 16 years old. She goes to visit her grandmother today, and they talk once again about her goals to become a doctor. Her face lights up as her grandmother tells her she is going to be a wonderful doctor and help so many people. She says, 'Remember, Jessica, you can do anything you want if you keep believing in yourself.'

Years go by, and Jessica never forgets her grandmother's words of encouragement. When she is a senior in college, she becomes very discouraged by her difficult classes and worries about getting into med school. But every time she wonders if she can achieve her goal, she reminds herself of her grandmother's words. In fact, she will remember those words even once she becomes a doctor. Jessica went through all the stages of information processing in her time with her grandmother and thereafter.

The first stage she went through was **attending**. In this stage, she was listening and paying close attention to her grandmother's words that she could do whatever she wanted if she believed in herself. When we attend or focus on an event or a conversation, we are preparing ourselves to receive it.

The second stage Jessica went through was **encoding**. This is what happened when she was taking in her grandmother's words. If she was neither paying attention to them nor placing any importance on them, she would not have encoded them.

The third stage was **storing**. In this stage, her grandmother's words were entering her memory bank, ready to be called upon at some other time.

The final stage was **retrieving**. This happened when Jessica went through a tough time in college and looked back on her grandmother's words, bringing them up to her conscious awareness. She retrieved this information in order to use it.

Three Stages of Memory

A huge part of information processing is its description of memory. The theory lists three stages of our memory that work together in this order: sensory memory, short-term or working memory and long-term memory.

Sensory Memory

This initial stage involves our senses picking up on features from our environment. It occurs only for a few seconds before it is brought into our memory. For example, Jessica probably smelled the apple pie her grandmother was baking in the oven while they were having their conversation. If this was a common occurrence when she was at her grandmother's house, the sensory memory would be stored, and every time she smelled baked apple pie, she would feel like she was back there again.

Short-Term Memory

This second stage is the first stop for incoming information. It holds only a certain amount of information for a brief amount of time, unless there is further processing into long-term memory. It is also referred to as one's **working memory**, as it serves any number of functions like remembering phone numbers, plans for the day, etc. Jessica made plans earlier in the week to meet with her grandmother and didn't use a planner, but the date and time remained in her short-term memory.

Long-Term Memory

In this stage, the information we've received becomes implanted in our minds. There is no limit to the amount and types of information we can retain in this storehouse. We are not aware of every memory we have stored, but they are still there, simply not triggered. Jessica may not spend any time thinking of her grandmother's words during her career as a doctor. Until that is, the memory is triggered by, let's say, people telling her they won't be able to do this or that with their future.

Retaining Information

While these stages display the order in which we interact with and retain information, they do not simply take place as we experience daily events. Not everything we experience goes directly into our short- or long-term memory. In order for us to absorb the information around us and then take it into our levels of memory, there are certain things we have to do. These include using selective attention, maintenance rehearsal and elaborative rehearsal.

Selective Attention

Before we take in some kind of information around us, we have to use our selective attention. This means blocking out other distractions and concentrating on one thing. When Jessica was talking to her grandmother, there could have been loud noises coming from the outside window. The television could have been on in the background.

Database, Data Warehouses and Data Mining,

What are Data?

Data are basic facts or values. Every task a computer carries out works with data in some way. Without data, computers would be pretty useless. It is therefore important to understand what data are and how to represent and organize data. The term 'data' is considered plural in the

scientific community, as in 'The data are collected,' not 'The data is collected.' However, not everyone follows this, so sometimes you will see 'data' used as singular.

Database Structure

A **database** is an organized collection of data. Instead of having all the data in a list with a random order, a database provides a structure to organize the data. One of the most common data structures is a **database table**. A database table consists of **rows** and **columns**. A database table is also called a two-dimensional array. An **array** is like a list of values, and each value is identified by a specific index. A two-dimensional array uses two indices, which correspond to the rows and columns of a table.

In database terminology, each row is called a **record**. A record is also called an **object** or an **entity**. In other words, a database table is a collection of records. The records in a table are the objects you are interested in, such as the books in a library catalog or the customers in a sales database. A **field** corresponds to a column in the table and represents a single value for each record. A field is also called an **attribute**. In other words, a **record** is a collection of related attributes that make up a single database entry.

Database Table of Customers

The example shows a simple database table of customers. Each customer has a unique identifier (Customer ID), a name, and a telephone number. These are the fields. The first row is called the header row and indicates the name of each field. Following the header row, each record is a unique customer.

Notice a few things about the table. First, all the data values in a single field or column are of the same kind - they are the same data type. Second, the data values in a single record or row can consist of different types, such as numbers and text. Third, there are no empty rows or columns. Individual data values can be missing, but there are no blank records or fields. These properties make a database table quite different from a table in a word processing or spreadsheet application.

The database structure imposes certain constraints on the data values, which makes it more reliable. For example, for the phone number, you cannot enter text, since that wouldn't make sense.

While this example is quite simple, you can easily imagine what else could be stored in such a database. For example, you could store the customer's mailing address, billing information, history of past purchases, etc. For an organization with many thousands of customers, this quickly becomes a large database. To use a large database effectively, you can use a database management system (DBMS). A DBMS is specialized software to input, store, retrieve and manage all the data.

A database can contain one or more tables, as well as other elements. DBMS software stores a database as a **file**. A database file is similar to a file used to store a word processing document or a video clip. A database file can be copied, deleted, renamed, etc. Just like other files, there are a number of different database file types, many of them specific to a particular software application.

The term "database" is very broadly defined and covers a lot of stuff, but the basic ideas are relatively simple to understand.

A database, according to the most common meaning of the word, is repository of information that is used as a backing data storage for some specific application or set of applications. Databases are usually structured, but this is not a definitive technical requirement. Databases are often used in contexts where you need to be able to access and update data online, in near real time, and with multiple concurrent accesses. Real world, professional-use databases have stricter requirements; for example, security (controlling who can access and who can change any bit of information), and also consistency, in the form of transactions, that guarantee that the information can be reliably used by their clients.

A data warehouse is a particular type of database, which focus on a very specific application: storing, filtering, retrieving and analyzing huge volumes of information. This application imposes a different set of constraints and leads to a completely different architecture and usage pattern.

Collections of databases that work together are called data warehouses. This makes it possible to integrate data from multiple databases. Data mining is used to help individuals and organizations make better decisions.

Data Warehouses

A database consists of one or more files that need to be stored on a computer. In large organizations, databases are typically not stored on the individual computers of employees but in a central system. This central system typically consists of one or more **computer servers**. A server is a computer system that provides a service over a network. The server is often located in a room with controlled access, so only authorized personnel can get physical access to the server.

In a typical setting, the database files reside on the server, but they can be accessed from many different computers in the organization. As the number and complexity of databases grows, we start referring to them together as a **data warehouse**.

A data warehouse is a collection of databases that work together. A data warehouse makes it possible to integrate data from multiple databases, which can give new insights into the data. The ultimate goal of a database is not just to store data, but to help businesses make decisions based on that data. A data warehouse supports this goal by providing an architecture and tools to systematically organize and understand data from multiple databases.

Distributed DBMS

As databases get larger, it becomes increasingly difficult to keep the entire database in a single physical location. Not only does storage capacity become an issue, there are also security and performance considerations. Consider a company with several offices around the world.

It is possible to create one large, single database at the main office and have all other offices connect to this database. However, every single time an employee needs to work with the database, this employee needs to create a connection over thousands of miles, through numerous network nodes. As long as you are moving relatively small amounts of data around, this does not present a major challenge.

But, what if the database is huge? It is not very efficient to move large amounts of data back and forth over the network. It may be more efficient to have a **distributed database**. This means that the database consists of multiple, interrelated databases stored at different computer network sites.

To a typical user, the distributed database appears as a centralized database. Behind the scenes, however, parts of that database are located in different places. The typical characteristics of a distributed database management system, or DBMS, are:

- *Multiple computer network sites are connected by a communication system*
- *Data at any site are available to users at other sites*
- *Data at each site are under control of the DBMS*

You have probably used a distributed database without realizing it. For example, you may be using an e-mail account from one of the major service providers. Where exactly do your e-mails reside? Most likely, the company hosting the e-mail service uses several different locations without you knowing it.

The major advantage of distributed databases is that data access and processing is much faster. The major disadvantage is that the database is much more complex to manage. Setting up a distributed database is typically the task of a database administrator with very specialized database skills.

Data Mining

Once all the data is stored and organized in databases, what's next? Many day-to-day operations are supported by databases. Queries based on SQL, a database programming language, are used to answer basic questions about data. But, as the collection of data grows in a database, the amount of data can easily become overwhelming. How does an organization get the most out of its data without getting lost in the details? That's where **data mining** comes in.

Data mining is the process of analyzing data and summarizing it to produce useful information. Data mining uses sophisticated data analysis tools to discover patterns and relationships in large datasets. These tools are much more than basic summaries or queries and use much more complicated algorithms. When data mining is used in business applications, it is also referred to as **business analytics** or **business intelligence**.

Consider an online retailer that sells a wide variety of products. In a typical day, it may sell thousands of different products to tens of thousands of different customers. How does the company leverage all this data to improve its business? One strategy is to discover which products are often bought together.

This would make it possible to create product bundles that are attractive to customers. Another method is to develop profiles for customers. A company could ask, based on past purchases, which products might the same customer also be interested in? This makes it possible to make suggestions to the customer and increase sales.

Global Market Research.
Taking a company globally is a big step for any company. But in order to be successful, it is essential that the company understand the needs of the consumer in all of the parts of the world they do business in. Let's learn how a company does this.

A First Look at Global Market Research

Meet Patty! Patty owns her own business where she takes junk and makes it into a new decorative piece for your home. Patty started her business about 5 years ago in her garage, and it has grown so large that she now operates in 8 different states. Recently, Patty heard that there was a need for products like hers in other parts of the world. Very interested in expanding her business, Patty decides to look into what it would take to sell her products globally. Before Patty

can be successful, she needs to understand what consumers want and need by means of global market research. Come along as Patty learns what global market research is and what the components consist of.

Global Market Research

Much like traditional research, **global market research** is the task of finding out what consumers want and planning how to produce those products. However, the term global means doing this task on a much larger scale. Instead of finding out what consumers want locally or nationally, Patty will be learning what consumers want all over the world. Patty also learns that in order to conduct her global market research, she will use a variety of tools such as surveys, trials, and observations, to name a few. These tools will help her to better understand what the needs are for customers all over the globe.

Importance of Global Market Research

Patty knows that there are many products that consumers all over the world use and want. A good example is vehicles. While vehicles are used globally, not all places want the exact same vehicle. Customers and their preferences are different all over the world, and so are their needs. And in order to meet those needs and actually provide products consumers will buy, Patty and other companies can use global market research.

Another importance of global market research is understanding that just like customer needs are different, so are the ways to reach the customer. What this means is that some marketing strategies work in some countries, while other countries need something more tailored to their area of the world. For example, a price for a shirt in the United States may be significantly different than a price for a shirt in Mexico. Thus, in order to be successful in selling the shirt, global market research can show what an appropriate price might be in each country. Gathering enough information is important to learn what customers need and what they are willing to purchase.

Components of Global Market Research

There are important components to think about when conducting global market research. We have briefly mentioned price, but Patty knows there are a few others too.

- The product-products may need to be altered to meet the demand and the taste of the area. For example, maybe in Japan they eat different food than what consumers eat in Europe. This difference may force a food company or restaurant to adjust their products accordingly for each area.
- Location-this considers how consumers purchase products. Do they go to the store? Do they purchase online? An area without internet connection would probably not benefit from a strictly online store.
- Marketing-how do you reach your customer? If you are trying to reach a customer where television is not readily available, you probably would not want to use television commercials to market your product.
- Price-like we mentioned earlier, in different areas of the world, the prices of products change. It is important to do research on what consumers are willing to pay in each area of the world if companies like Patty's wish to sell products.

Conducting Research

So, how does Patty conduct global market research? Well, there are a few methods that can be helpful. Let's take a look at these:

Online Market Research Tools

The following techniques can be used to gather market information with the help of a few mouse clicks and keystrokes:

- **Keyword Search.** You know how to do a simple Web search using search engines such as Google and Yahoo. Take that a step farther by searching for "keywords" that people would use to find your type of products or services on the Internet. See how much interest there is in these keywords -- and how many competitors you have in this market. Keyword searches can also help remind you of product niches that you might not have considered. There are other reasons to conduct keyword searches. 'First, you're going to be reminded of product niches that you might not of thought of.' says Jennifer Laycock, editor-in-chief of Search Engine Guide, an online guide to search engines, portals and directories. 'Second, these services will also give you a guesstimate of how many existing sites already use that phrase,' Laycock continues. 'How many existing sites already offer that product.' WordTracker and Trellian's Keyword Discovery are popular keyword search engines.
- **Competitor Links.** A traditional search engine can also help you check out your competitors, their prices, and their offerings. Try typing 'link:www.[competitor's name].com' into Google to find out how many other sites link to your competitor's website. 'It is a great way to see a competitor's link development and PR campaigns,' says Shari Thurow, Web expert and author of the upcoming book Search Engine Visibility. 'Is the competitor promoting a product or service similar to your own? Maybe you can get publicity because you have a new or better product.'
- **Read Blogs.** Blogs are updated much more regularly than traditional websites and, therefore, they can be another gauge of public opinion. Search blogs by using blog-specific search engines, such as Technorati or Nielsen BuzzMetrics' Blogpulse. 'Blogs tend to move at a faster pace and be more informal in tone, so you're more likely to pick up conversation about a new product type or need on a blog than on a standard web site,' Laycock says.
- **Conduct Online Surveys.** Another way to gauge public opinion is through online surveys. While not as scientific as in-person or phone surveys that use a random sampling of the population, online surveys are a low-cost way to do market research about whether an idea or a product will be appealing to consumers. Now many companies offer to conduct online research for you or give your company the tools to carry out your own surveying. Some online survey companies include EZquestionnaire, KeySurvey, and WebSurveyor.

Research Tools and Techniques

There are a variety of types of market research tools -- both offline and online -- that are used by many large businesses and can be available to small and mid-sized businesses. When these techniques involve people, researchers use questionnaires administered in written form or person-to-person, either by personal or telephone interview, or increasingly online. Questionnaires may be closed-end or open-ended. The first type provides users choices to a question ("excellent," "good," "fair") whereas open-ended surveys solicit spontaneous reactions and capture these as given. Focus groups are a kind of opinion-solicitation but without a questionnaire; people interact with products, messages, or images and discuss them. Observers evaluate what they hear.

Major categories are as follows:

1. **Audience Research.** Audience research is aimed at discovering who is listening, watching, or reading radio, TV, and print media respectively. Such studies in part profile the audience and in part determine the popularity of the medium or portions of it.

2. **Product Research.** Product tests, of course, directly relate to use of the product. Good examples are tasting tests used to pick the most popular flavors—and consumer tests of vehicle or device prototypes to uncover problematical features or designs.
3. **Brand Analysis.** Brand research has similar profiling features ("Who uses this brand?") and also aims at identifying the reasons for brand loyalty or fickleness.
4. **Psychological Profiling.** Psychological profiling aims at construction profiles of customers by temperament, lifestyle, income, and other factors and tying such types to consumption patterns and media patronage.
5. **Scanner Research.** Scanner research uses checkout counter scans of transactions to develop patterns for all manner of end uses, including stocking, of course. From a marketing point of view, scans can also help users track the success of coupons and to establish linkages between products.
6. **Database Research.** Also known as database "mining," this form of research attempts to exploit all kinds of data on hand on customers—which frequently have other revealing aspects. Purchase records, for example, can reveal the buying habits of different income groups—the income classification of accounts taking place by census tract matching. Data on average income by census tract can be obtained from the Bureau of the Census.
7. **Post-sale or Consumer Satisfaction Research.** Post-consumer surveys are familiar to many consumers from telephone calls that follow having a car serviced or calling help-lines for computer- or Internet-related problems. In part such surveys are intended to determine if the customer was satisfied. In part this additional attention is intended also to build good will and word-of-mouth advertising for the service provider.

Writing Online Questionnaires

When it comes to using Web-based surveys, small businesses should stick to a few simple but important rules:

- **The Shorter the Better.** Don't alienate survey takers with long questionnaires. Limit yourself to 25 questions, which should take people five to seven minutes to finish, says Mary Malaszek, owner of Market Directions, a Boston market-research firm that works with businesses of all sizes. If surveys are much longer, people will abandon them 'and then you can't use them, and the next time you send them a survey they won't even open it,' she says. Other methods for keeping surveys short, according to a SensorPro white paper on online survey guidelines: make the first page simple, present answer options in multiple columns or a drop-down box, and put a status bar at the top of each question page so respondents know how close they are to being finished.
- **Avoid Open-Ended Questions.** Since people want to zip through a survey, don't include a lot of open-ended questions where they have to type out the answers. Close-ended questions they can click on a button to answer—Yes, No, Maybe, Never, Often—work much better, Malaszek says. Companies can use close-ended questions to get the same kind of in-depth analysis open-ended questions provide by using rankings scales, which ask a respondent to rate something on some type of scale, 1 to 5, or 1 to 10, she says.
- **Be Persistent.** If you're asking customers or vendors to take a survey, it's okay to send more than one invitation, especially to people who've previously indicated they would be willing to participate. Just make sure you've got people's permission, so they don't think you're spamming them, the survey experts say.
- **Be Patient.** Businesses decide they want to do a survey then get impatient when they can't get the results right away, Malaszek says. Even though online surveys reduce some of the work, they take time to design and administer, and when the results are in, more time to interpret. It's a good idea to pick one person to shepherd the process, she says.

Global Market Challenges

1. **Multiplicity**: Depending on the number of new markets being considered for global research, attacking numerous markets at once can significantly increase costs and logistical problems. Multiplicity refers to the number or variety of new markets being considered.

2. **Primary data**: Both expensive and time-consuming, collecting primary data requires a degree of first-hand effort through interviews, surveys, focus groups and experiments, among other tactics. This will require someone to be on the ground in the new location, or to contract with a local resource to collect the data. This is an area where finding reliable, local partners to help conduct research could be of help.

3. **Secondary data**: Secondary data, or data collected and available from other sources such as organization records and data gathered for other research projects, may not be readily available or may be unreliable. Comparability of new data to other data sets is also difficult because there may be no historical information to refer back to.

4. **Communication barriers**: Differences in language or dialect present problems with communication and translation from one country to another. Using language that is appropriate and accepted should be foremost on the minds of researchers, including the careful use of words that may mean one thing locally and another thing elsewhere.

5. Research **adaptability**: A form of market research that works in the United States may not work overseas. The type of research and way it's carried out may have to be shifted based on the current conditions of a particular market.

6. **Infrastructure**: Many countries suffer from inadequate infrastructure such as telephones, postal services and technological deficiencies (like internet access).

7. **Cultural** barriers: Dealing with consumers who have different cultural and societal norms such as specific religious, educational or gender roles may impact a researcher's ability to gather data or even the acceptance of a new company, product or service. The subtlety of cultural norms can make them difficult to detect.

Consumer Behavior: Factors influencing consumer behavior, consumer decision process. Organizational buying behavior

. • Consumer behaviour is the study of individuals, groups, or organizations and the processes they use to select, secure, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society. It blends elements from psychology, sociology, social anthropology andeconomics. It attempts to understand the decision-making processes of buyers, both individually and in groups. It studies characteristics of individual consumers such as demographics and behavioural variables in an attempt to understand people's wants. It also tries to

assess influences on the consumer from groups such as family, friends, reference groups, and society in general.

- 3. Customer behaviour study is based on consumer buyingν behaviour, with the customer playing the three distinct roles of user, payer and buyer. Research has shown that consumer behaviour is difficult to predict, even for experts in the field. Relationship marketing is an influential asset for customerν behaviour analysis as it has a keen interest in the re-discovery of the true meaning of marketing through the re-affirmation of the importance of the customer or buyer. A greater importance is also placed on consumer retention, customer relationship management, personalisation, customisation and one-to-one marketing. Social functions can be categorized into social choice and welfare functions.

- 4. Each method for vote counting is assumed as social function butν if Arrow's possibility theorem is used for a social function, social welfare function is achieved. Some specifications of the social functions are decisiveness, neutrality,anonymity, monotonicity, unanimity, homogeneity and weak and strong Pareto optimality. No social choice function meets these requirements in an ordinal scale simultaneously. The most important characteristic of a social function is identification of the interactive effect of alternatives and creating a logical relation with the ranks. Marketing provides services in order to satisfy customers. With that in mind the productive system is considered from its beginning at the production level, to the end of the cycle, the consumer (Kioumarsi et al., 2009).

Some of the most important factors influencing consumer behaviour are as follows: A. Marketing Mix Factors B. Personal Factors C. Psychological Factors D. Social Factors E. Cultural Factors.

The study of consumer behaviour indicates how individuals, groups and organizations select, buy, use and dispose goods, services, ideas, or experiences to satisfy their needs and desires. Consumer behaviour is affected by several factors. Marketers need to have a good knowledge of the factors affecting the consumer behaviour.

Factors influencing consumer behavior,

In general, the factors that affect consumer behaviour are discussed in the following sections:

A. Marketing Mix Factors:

Each component of the market mix—product, pricing, promotion and place of distribution—has a direct or indirect impact on the buying process of the consumers.

1. Product:

The special characteristics of the product, the physical appearance and the packaging can influence the buying decision of a consumer.

2. Pricing:

The price charged on the product or services consumed by the consumer affect the buying behaviour of the consumers. Marketers must consider the price sensitivity of the target customers while fixing prices.

3. Promotion:

The variables of promotion mix such as advertising, publicity, public relations, personal selling and sales promotion affect the buying behaviour of the consumers. Marketers select the promotion mix after considering the nature of the target audience.

4. Place:

The channels of distribution and the place of distribution affect the buying behaviour of the consumers. The marketers makes an attempt to select the right channel and distribute the products at the right place.

B. Personal Factors:

The personal factors such as age, occupation, lifestyle, social and economic status and the gender of a consumer may affect the buying decisions of the consumers individually or collectively.

1. Age factor:

The age factor greatly influences the buying behaviour. For example, teenagers prefer trendy clothes, whereas office executives prefer sober and formal clothing.

2. Gender:

The consumer behaviour varies across gender. For example, girls prefer certain feminine colours such as pink, purple and peach, whereas boys go for blue, black and brown.

3. Education:

Highly educated persons may spend on books, personal care products, and so on. But a person with low or no education may spend less on books and more on personal grooming products.

4. Income level:

Normally, the higher the income level, the higher is the level of spending and vice versa. But this may not be the case in developing countries, especially in the rural areas.

5. Status in the society:

Persons enjoying higher status in the society spend a good amount of money on luxury items such as luxury cars, luxury watches, premium brands of clothing, jewellery and perfumes.

C. Psychological Factors:

A person's buying behaviour is influenced by the psychological factors such as the following:

1. Learning:

It refers to changes in individual behaviour that are caused by information and experience. For example, when a customer buys a new brand of apparels, and is satisfied by its use, then they are more likely to buy the same brand the next time. Through learning, people acquire beliefs and attitudes, which in turn influence the buying behaviour.

2. Attitude:

It is human tendency to respond in a given manner to a particular situation or object or idea. Consumers may develop a positive, or a negative, or a neutral attitude towards certain products or brands, which in turn affects their buying behaviour.

3. Motives:

A motive is the inner drive that motivates a person to act or behave in a certain manner. A marketer must identify the buying motives of the target customers and influence them to act positively towards the marketed products.

Some of the buying motives include the following factors:

ADVERTISEMENTS:

a. Pride and possession
b. Love and affection
c. Comfort and convenience
d. Sex and romance

4. Beliefs:

A belief is a descriptive thought that a person holds about certain things. It may be based on knowledge, opinion, faith, trust and confidence. People may hold certain beliefs of certain brands/products. Beliefs develop brand images, which in turn can affect the buying behaviour.

D. Social Factors:

The social factors such as reference groups family, and social status affects the buying behaviour. Social factors in turn reflect a constant and dynamic influx through which individuals learn different meanings of consumption.

1. Reference groups:

A reference group is a small group of people such as colleagues at workplace, club members, friends circle, neighbours, family members, and so on.

The reference groups influence the members in following manner:

a. They influence members' values and attitudes.
b. They expose members to new behaviours and lifestyles.
c. They create pressure to choose certain products or brands.

2. Family:

The family is the main reference group that may influence the consumer behaviour. Nowadays, children are well informed about goods and services through media or friends circle, and other sources. Therefore, they influence considerably in the decisions of buying both fast moving consumer goods and durable items.

3. Roles and status:

A person performs certain roles in a particular group such as family, club, organization, and so on. For example, a person may perform the role of a vice president in a firm and another person may perform the role of a marketing manager.

The vice president may enjoy higher status in the organization as compared to the marketing manager. People may purchase the products that conform to their roles and status, especially in the case of branded clothes, luxury watches, luxury cars, and so on.

E. Cultural Factors:

There is a subtle influence of cultural factors on a consumer's decision process. Consumers live in a complex social and cultural environment. The types of products and services they buy can be influenced by the overall cultural context in which they grow up to become individuals. Cultural factors includes race and religion, tradition, caste and moral values. Culture also includes subcultures, sub-castes, religious sects and languages.

1. Culture:

It influences consumer behaviour to a great extent. Cultural values and elements are passed from one generation to another through family, educational institutions, religious bodies and social environment. The cultural diversity influences food habits, clothing, customs and traditions. For example, consuming alcohol and meat in certain religious communities is not restricted, but in certain communities, consumption of alcohol and meat is prohibited.

2. Subculture:

Each culture consists of smaller subcultures that provide specific identity to its members. Subcultures include sub-castes, religious sects (Roman Catholics, Syrian Catholics, Protestant Christians, etc.), geographic regions (South Indians, North Indians) and language (Marathi, Malayali, Gujarati).

The behaviour of people belonging to various subcultures is different. Therefore, marketers may adopt multicultural marketing approaches, that is, designing and marketing goods and services that cater to the tastes and preferences of the consumers belonging to different subcultures.

Consumer decision process.

Six Stages to the Consumer Buying Decision Process (For complex decisions). Actual purchasing is only one stage of the process. Not all decision processes lead to a purchase. All consumer decisions do not always include all 6 stages, determined by the degree of complexity...discussed next.

The 6 stages are:

1. *Problem Recognition*(awareness of need)--difference between the desired state and the actual condition. Deficit in assortment of products. Hunger--Food. Hunger stimulates your need to eat.
   Can be stimulated by the marketer through product information--did not know you were deficient? I.E., see a commercial for a new pair of shoes, stimulates your recognition that you need a new pair of shoes.
2. *Information search*--
   - Internal search, memory.
   - External search if you need more information. Friends and relatives (word of mouth). Marketer dominated sources; comparison shopping; public sources etc.

A successful information search leaves a buyer with possible alternatives, the *evoked set*.

Hungry, want to go out and eat, evoked set is

- chinese food
- indian food
- burger king
- klondike kates etc

3. *Evaluation of Alternatives*--need to establish criteria for evaluation, features the buyer wants or does not want. Rank/weight alternatives or resume search. May decide that you want to eat something spicy, indian gets highest rank etc.
   If not satisfied with your choice then return to the search phase. Can you think of another restaurant? Look in the yellow pages etc. Information from different sources may be treated differently. Marketers try to influence by "framing" alternatives.
4. *Purchase decision*--Choose buying alternative, includes product, package, store, method of purchase etc.
5. *Purchase*--May differ from decision, time lapse between 4 & 5, product availability.
6. *Post-Purchase Evaluation*--outcome: Satisfaction or Dissatisfaction.
7. ***Cognitive Dissonance***, have you made the right decision. This can be reduced by warranties, after sales communication etc.
   After eating an indian meal, may think that really you wanted a chinese meal instead.

Organizational buying behavior

Organization buying is the decision-making process by which formal organizations establish the need for purchased products and services and identify, evaluate, and choose among alternative brands and suppliers. (Webster and Wind)

Some of the characteristics of organizational buyers are:

1. Consumer market is a huge market in millions of consumers where organizational buyers are limited in number for most of the products.
2. The purchases are in large quantities.
3. Close relationships and service are required.
4. Demand is derived from the production and sales of buyers.
5. Demand fluctuations are high as purchases from business buyers magnify fluctuation in demand for their products.
6. The organizational buyers are trained professionals in purchasing.
7. Several persons in organization influence purchase.
8. Lot of buying occurs in direct dealing with manufacturers.

Organizational Buying Situations

Straight rebuy

In this buying situation, only purchasing department is involved. Thet get an information from inventory control department or section to reorder the material or item and they seek quotations from vendors in an approved list.

The "in-suppliers" make efforts to maintain product and service quality. The "out-suppliers" have to make efforts to get their name list in the approved vendors' list and for this purpose they have to offer something new or find out any issues of dissatisfaction with current suppliers and promise to provide better service.

Modified rebuy

In this buying situation, there is a modification to the specifications of the product or specifications related to delivery. Executives apart from the purchasing department are involved in the buying decisions. The company is looking for additional suppliers or is ready to modify the approved vendors list based on the technical capabilities and delivery capabilities.

New task buy

In this situation, the buyer is buying the product for the first time. As the cost of the product or consumption value becomes higher, more number of executives are involved in the process. The stages of awareness, interest, evaluation, trial, and adoption will be there for the products of each potential supplier. Only the products which pass all the stages will be on the approved list and price competition will follow subsequently.

Systems buy

Systems buying is a process in which the organization gives a single order to a single organization for supplying a full system. The buying organization knows that no single party is producing all the units in the system. But it wants the system seller to engineer the system, procure the units from various vendors and assemble, fabricate or construct the system.

Participants in the Business Buying Process

Buying Center Concept

Webster and Wind in the model they proposed to describe organizational buying process, identified the organizational buying process as a team process and called the team or the buying decision-making unit of the organization as buying center. The buying center consists of all persons of the organizations who are involved in the buying process playing one or the other seven roles: Initiators, Users, Influencers, Deciders, Approvers, Buyers, and Gatekeepers.

Users
The persons who use the item. Say for safety gloves the operators.

Initiators
The persons who request the purchase. The safety officer may initiate the request for the purchase.

Influencers
Persons who held define specifications. In this case of safety gloves, the safety officer may himself define specifications. If an industrial engineer is in the organization, he may also be consulted. There can a different gloves for different working situations and industrial engineer may be more aware of specific requirements due to his special nature of work - human effort engineering.

Buyers
They are the person who actually do the buying transaction.

Gatekeepers
They control access to personnel in a company. The receptionist, the secretaries etc.

Deciders
People who decide on product requireements and suppliers. It is the final approval for product specfications and suppliers' list.

Approvers
Persons who approve the purchase. In the case of safety gloves, the personal manager may have the power to approve.

Major Influences on Business Buyers

Environmental factors
Expected demand for the product that the buying organization is selling, expected shortages for the item, expected changes in technology related to the item etc. are the environmental factors that will have an effect.

Organizational factors
Changes in purchasing department organization like centralized purchasing, decentralized purchasing and changes in purchasing practices like long-term contracts, relationship purchasing, zero-based pricing, vendor-performance evaluation are the organization factors of importance to marketers.

Interpersonal factors
These factors are the relationship between buyers and sales representatives of various competitor companies.
Individual factors
These factors related to the buyer. What sort of ways of interacting and service are appreciated by the buyers and what ways are considered as irritants? Marketers have to understand the reactions of buyers.

Organizational Buying/Purchasing/Procurement Process

Steps in the Process

Problem recognition
General need description
Product specification
Supplier search
Proposal solicitation
Supplier selection
Order routine specification
Supplier performance review