

PRINCIPLES OF MARKETING

**For B.Com Semester V(CBCS)
Paper –CC11**

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What Is Marketing?

- **Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.**

What Is Marketing Management?

- **Marketing management is the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.**

What is Marketed?

- **Goods**
- **Services**
- **Events**
- **Experiences**
- **Persons**
- **Places**
- **Properties**
- **Organizations**
- **Information**
- **Ideas**

Marketing Function – Different

➤ **Concepts in Marketing**

- **Production concept**
- **Product concept**
- **Selling concept**
- **Marketing concept**
- **Societal Marketing**
- **Holistic marketing concept**

Production Concept

- **Premise: consumers prefer products that are widely available and inexpensive.**
- **Focus on:**
 - **High production efficiency**
 - **Low costs**
 - **Mass distribution**

Product Concept

- **Premise: consumers favor products offering the most quality, performance, or innovative features.**
- **Focus on:**
 - **Making superior products**
 - **Improving product over time**

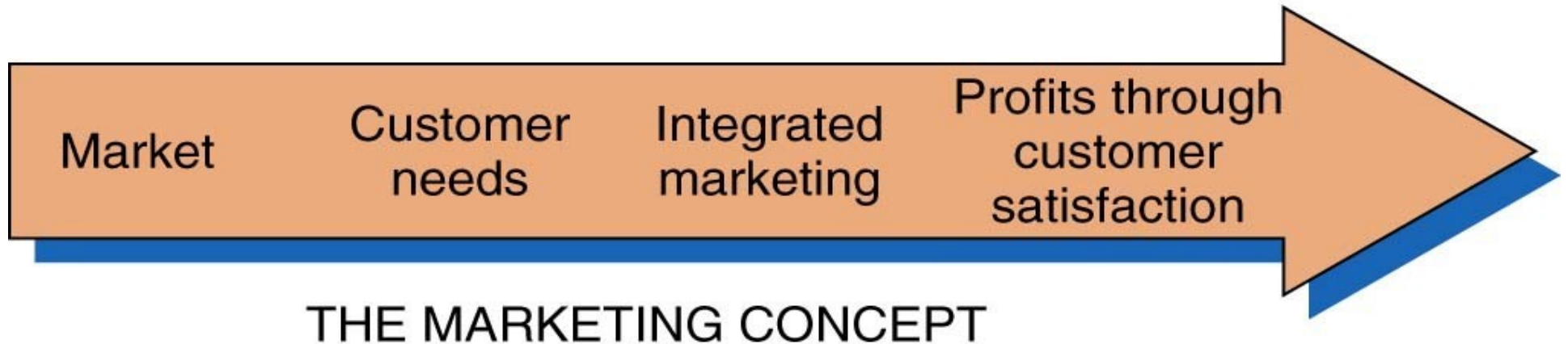
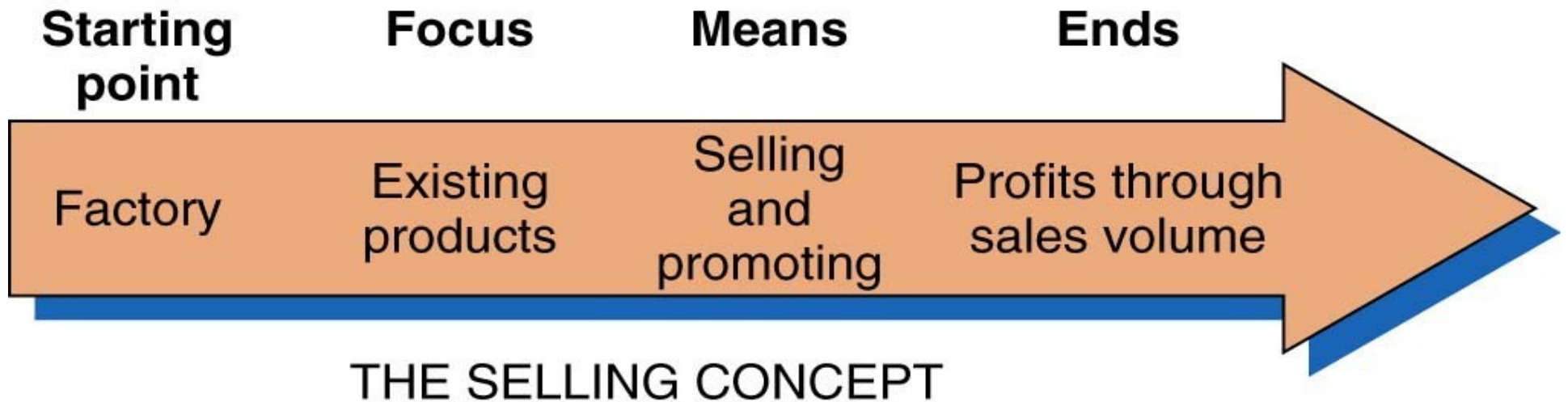
Selling Concept

- **Premise: is the idea that consumers will not buy enough of the firm's products unless it undertakes a large scale selling and promotion effort**
- **Focus on:**
 - □ **Aggressive selling and promotion efforts**

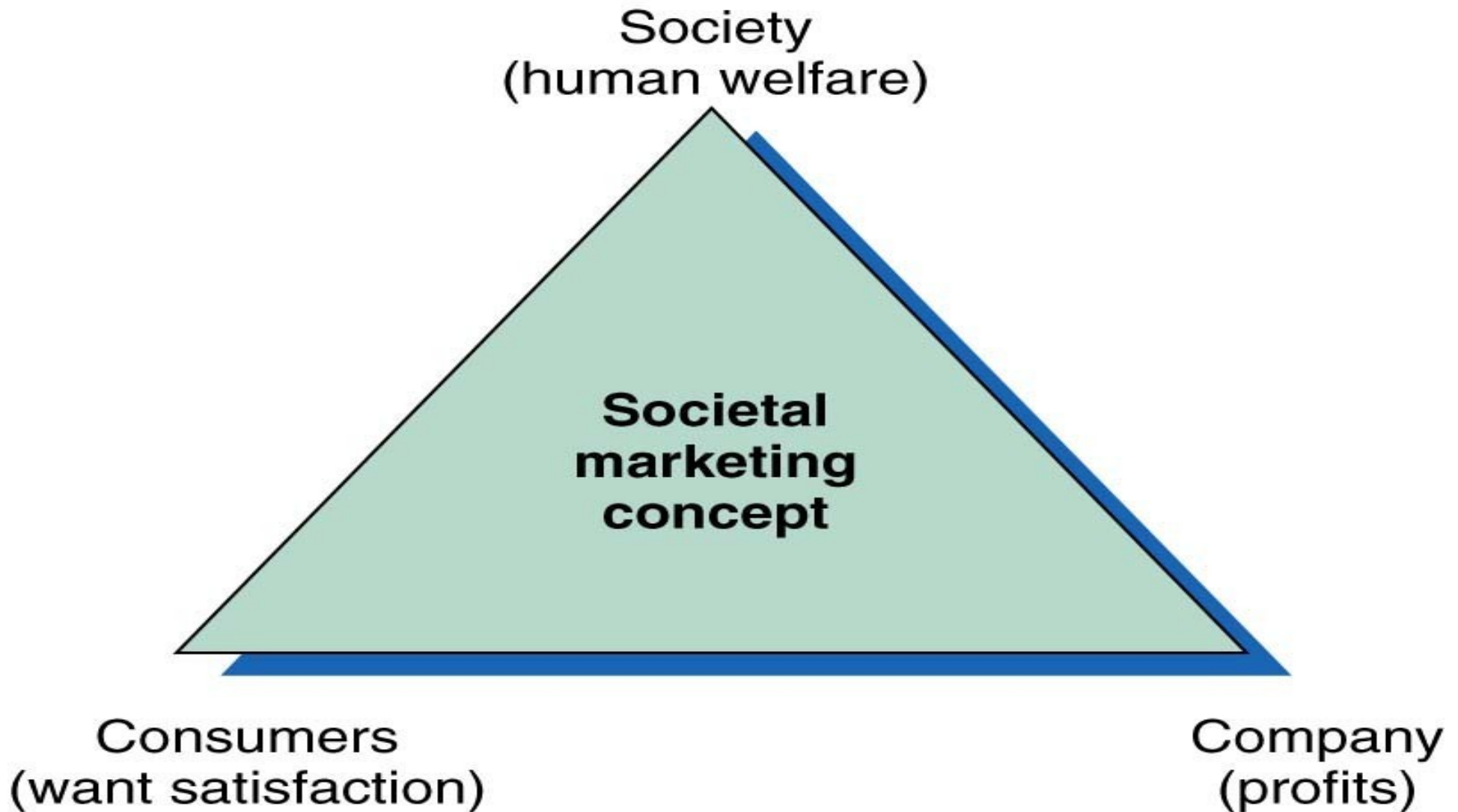
Marketing Concept

- **Premise: find the right product for your customers.**
- **Focus on:**
 - □ **Needs of the buyer**

Marketing and Sales Concepts Contrasted



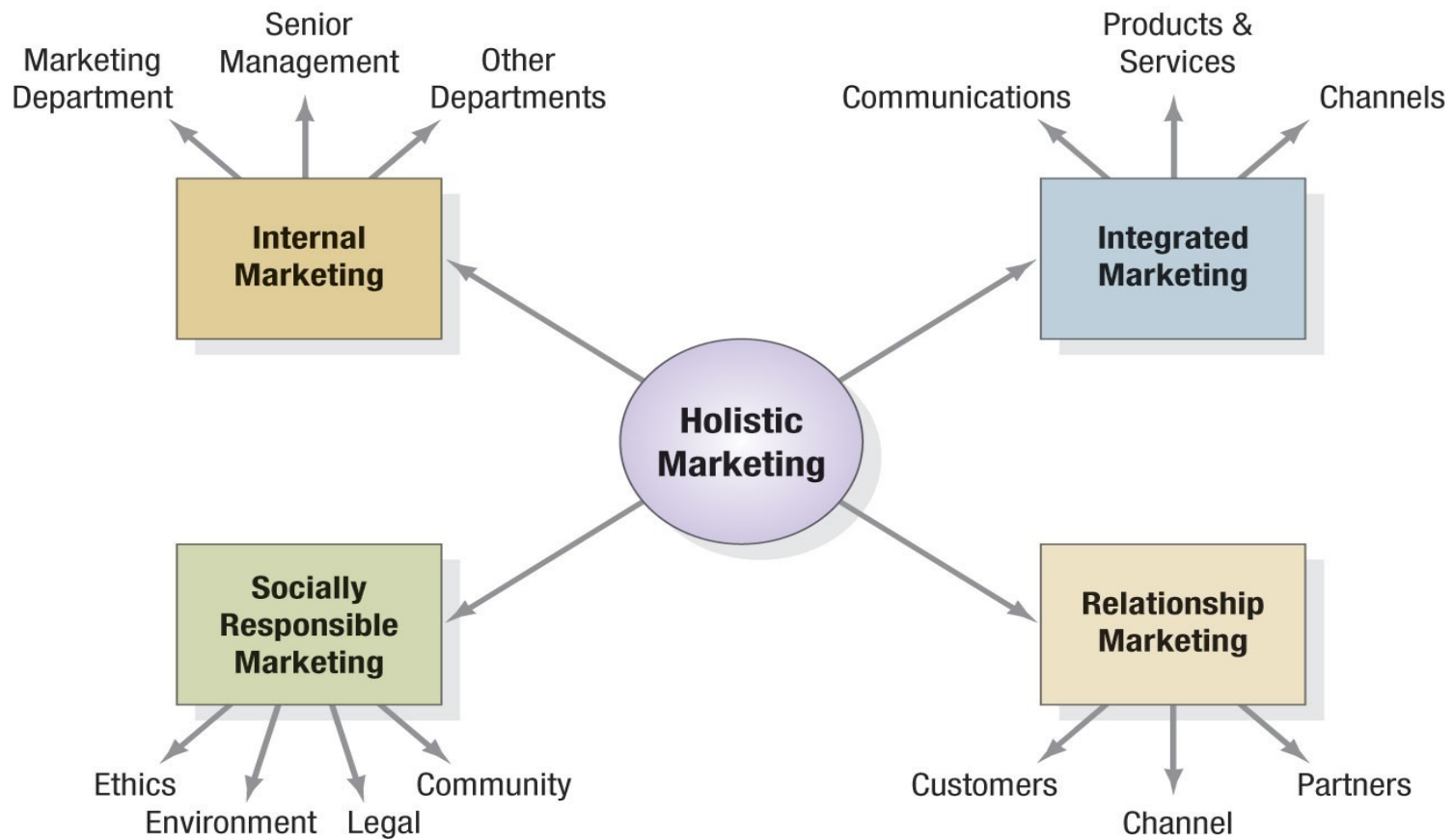
Societal Marketing Concept



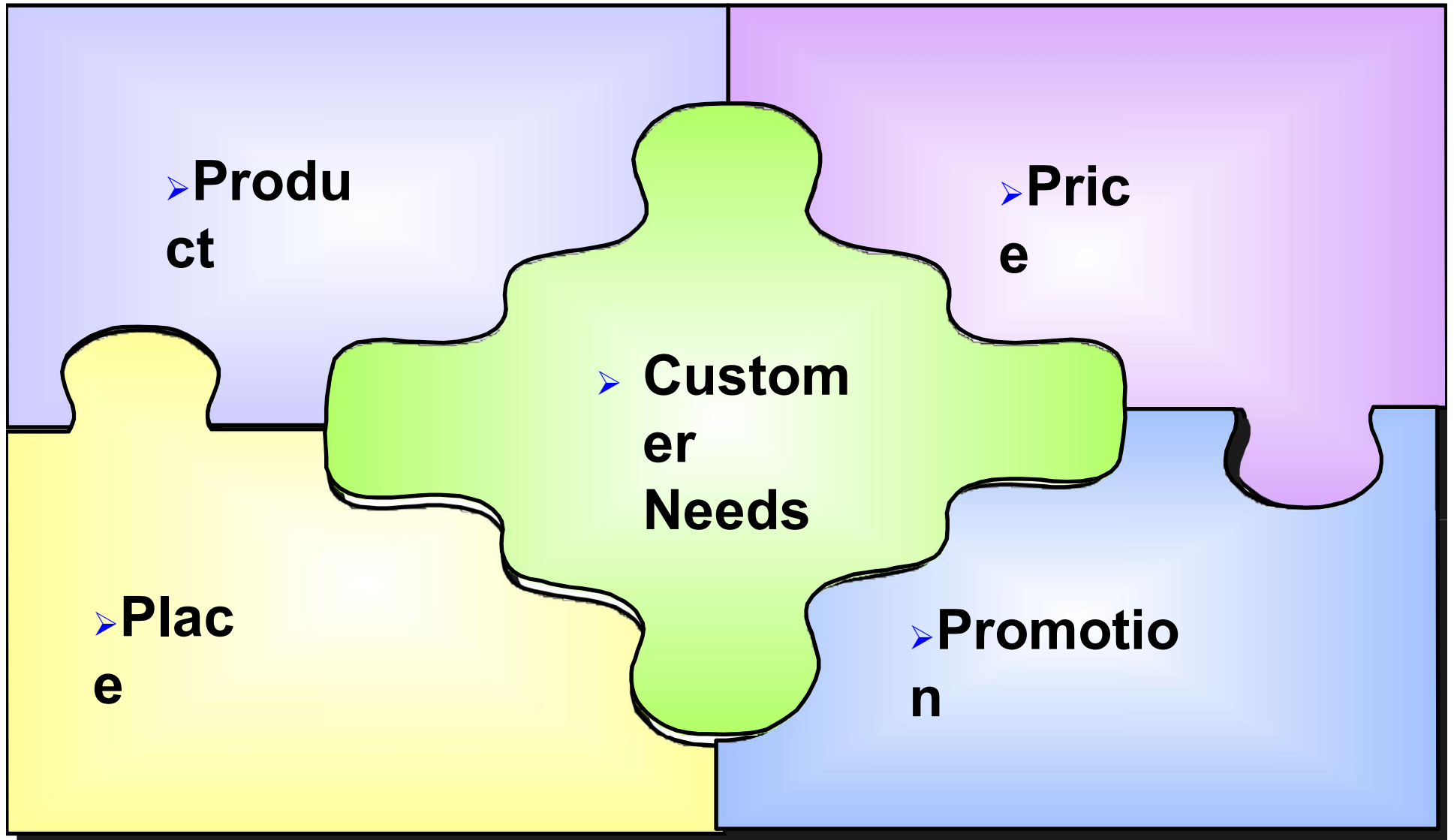
Societal Marketing Concept- Contd..

- **A principle of enlightened marketing**
 - **that holds that a company should**
 - **make good marketing decisions by**
 - **considering consumer's wants, the**
 - **company's requirements, consumers**
 - **long term interests and society's long run interests**

Holistic Marketing Concept



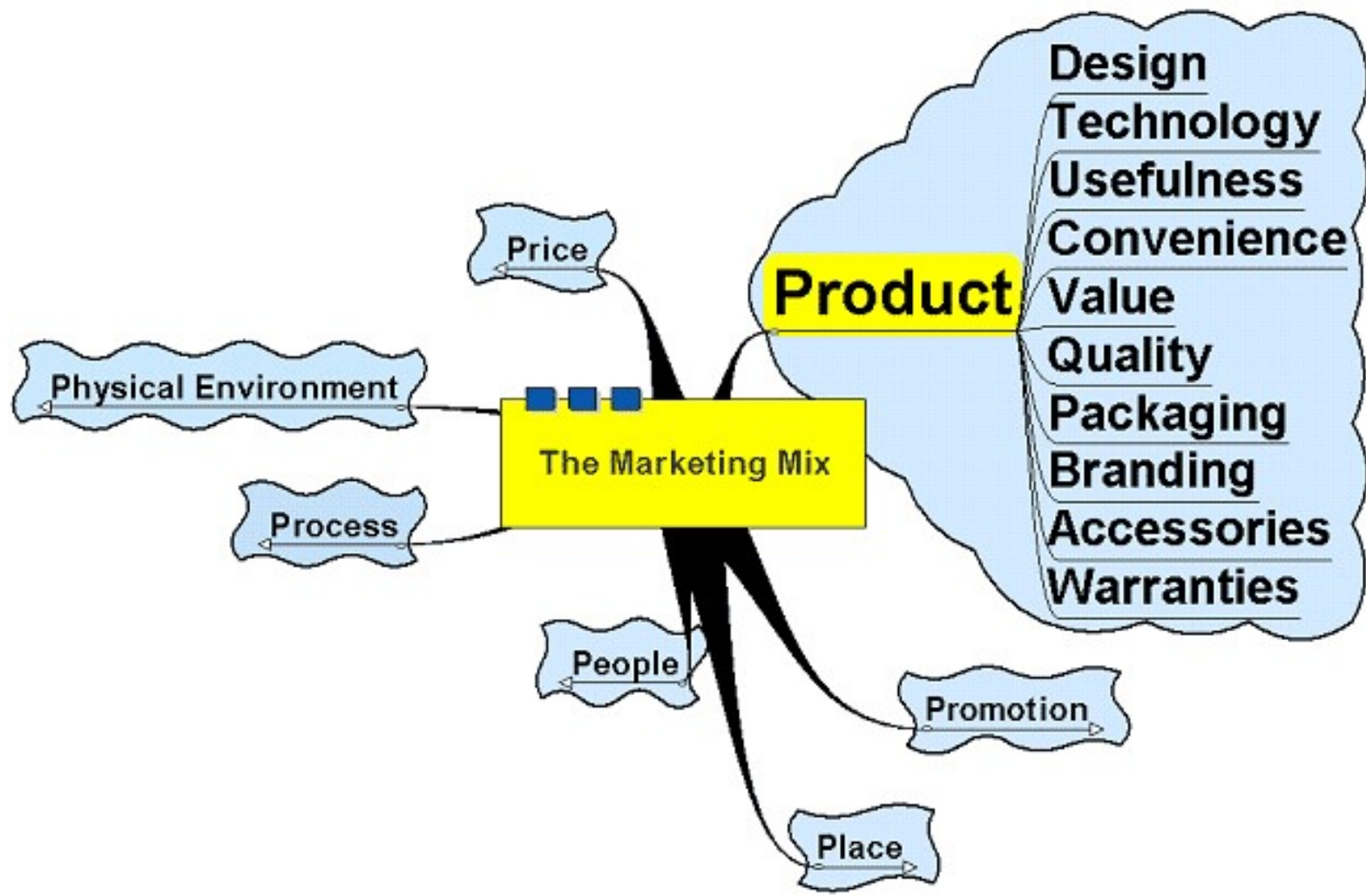
The Marketing Mix



Marketing Mix



Product



Price



Place



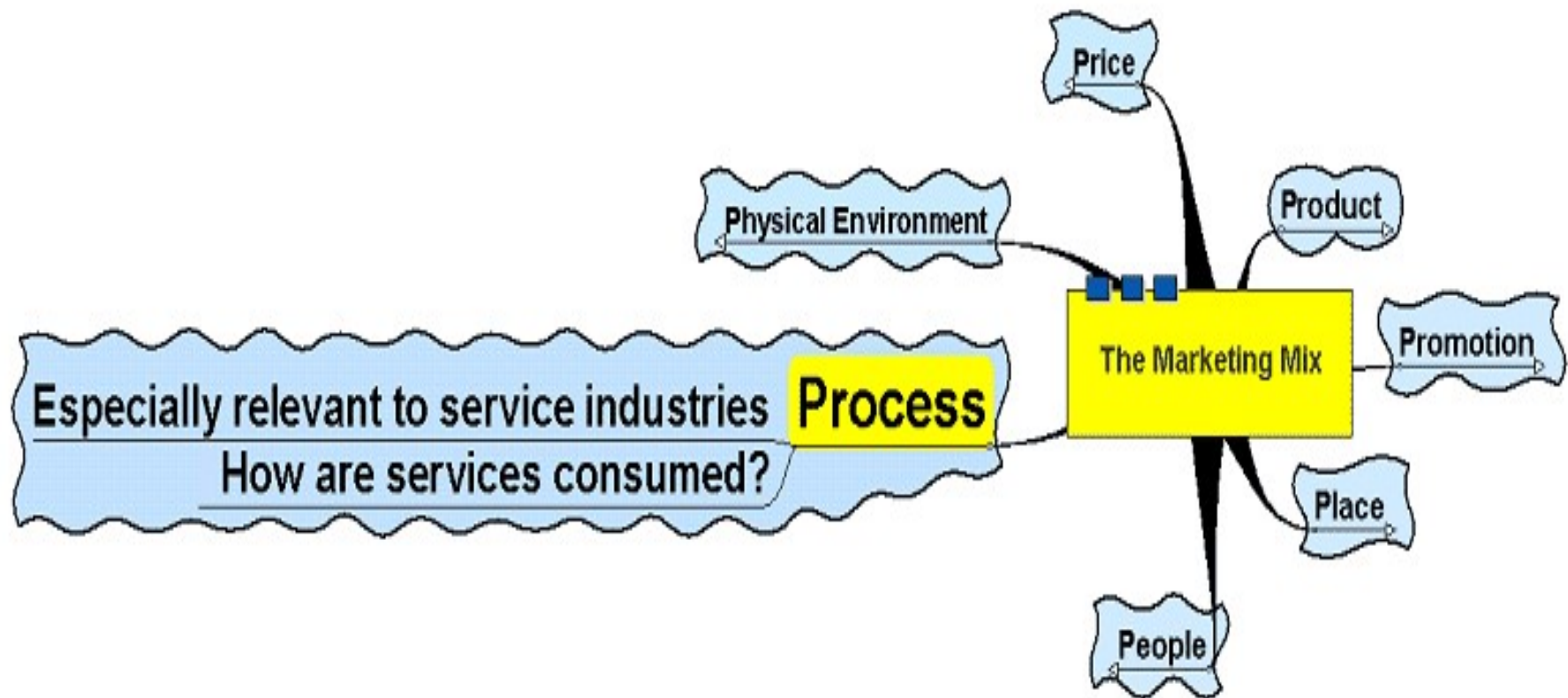
Promotion



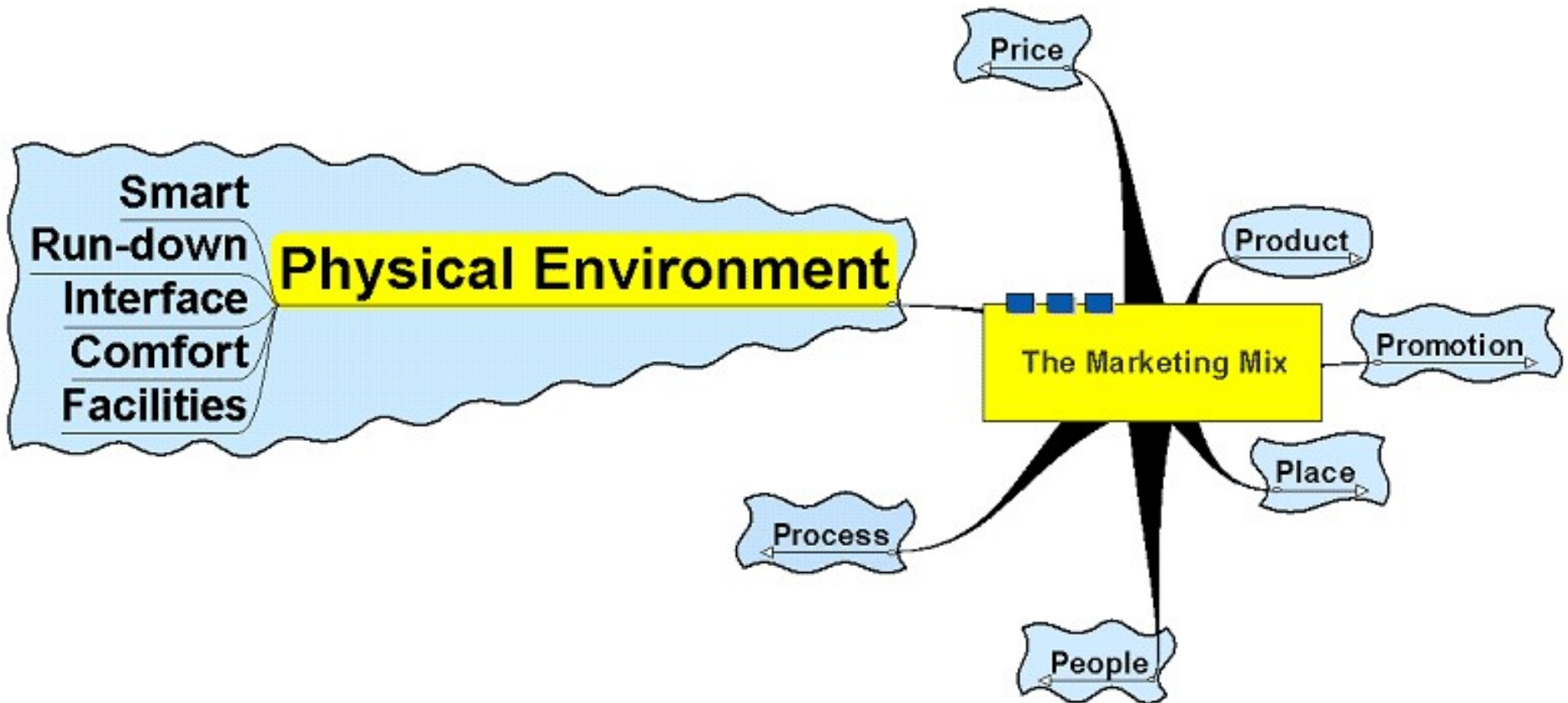
People



Process



Physical Environment



3 Additional P's in Services Marketing

- **People: Any person coming into contact with customers can have an impact on overall satisfaction.**
- **Process: Process involved in providing a service and the behavior of people, which can be crucial to customer satisfaction.**
- **Physical Environment:**

Marketing Mix and the Customer

➤ **Four P's**

- □ ➤ **Product**
- □ **Price**
- □ **Place**
- □ **Promotion**

Four C's

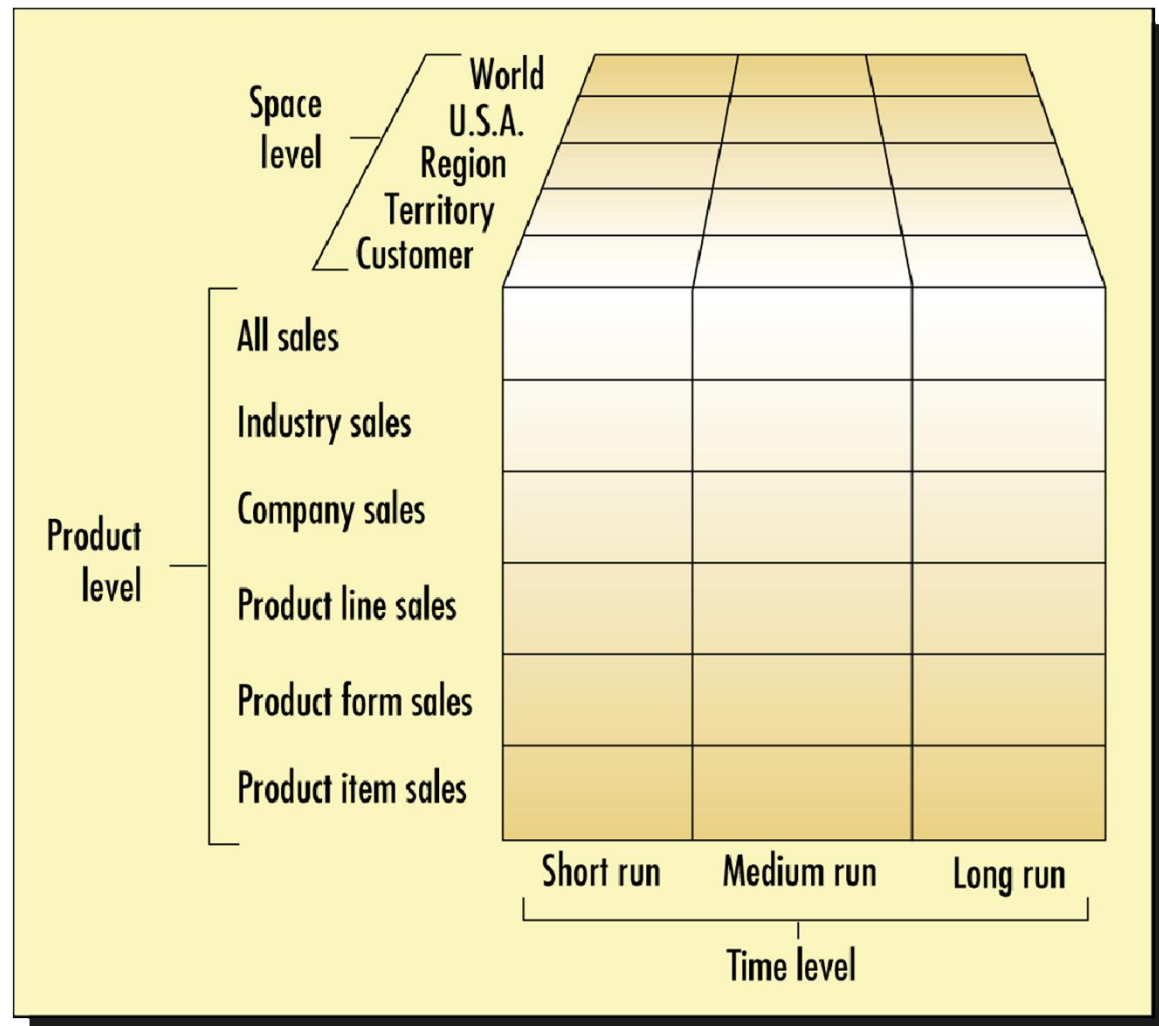
- □ ➤ **Customer solution**
- □ **Customer cost**
- □ **Convenience**
- □ **Communication**

Market Demand

➤ **Market demand for a product is the total volume that would be bought by a defined customer group in a defined geographical area in a defined time period in a defined marketing environment under a defined marketing program**

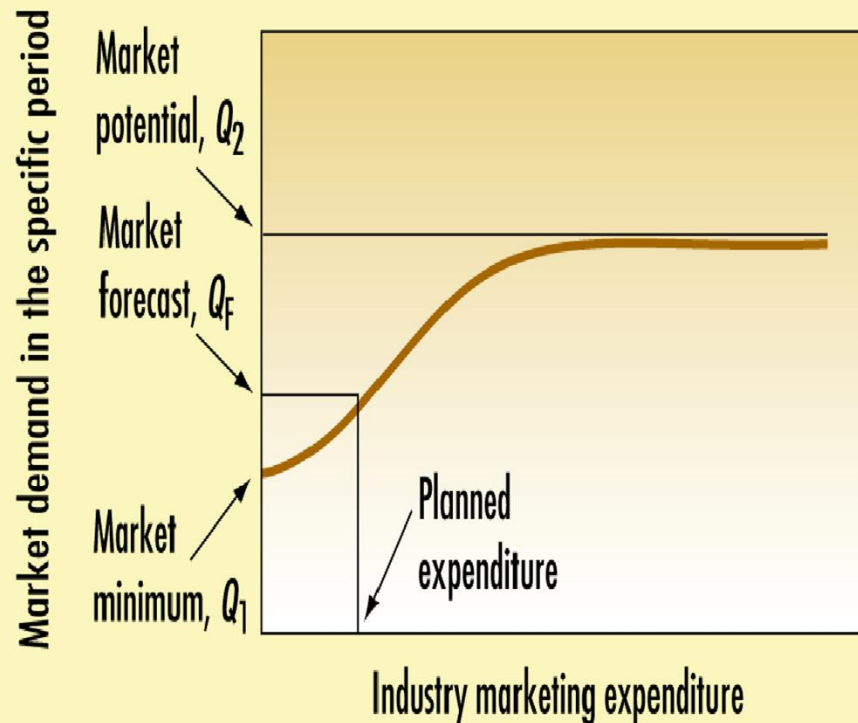
Ninety Types Demand Measurement

➤ **Ninety Types of Demand Measurement (6X5X3)**

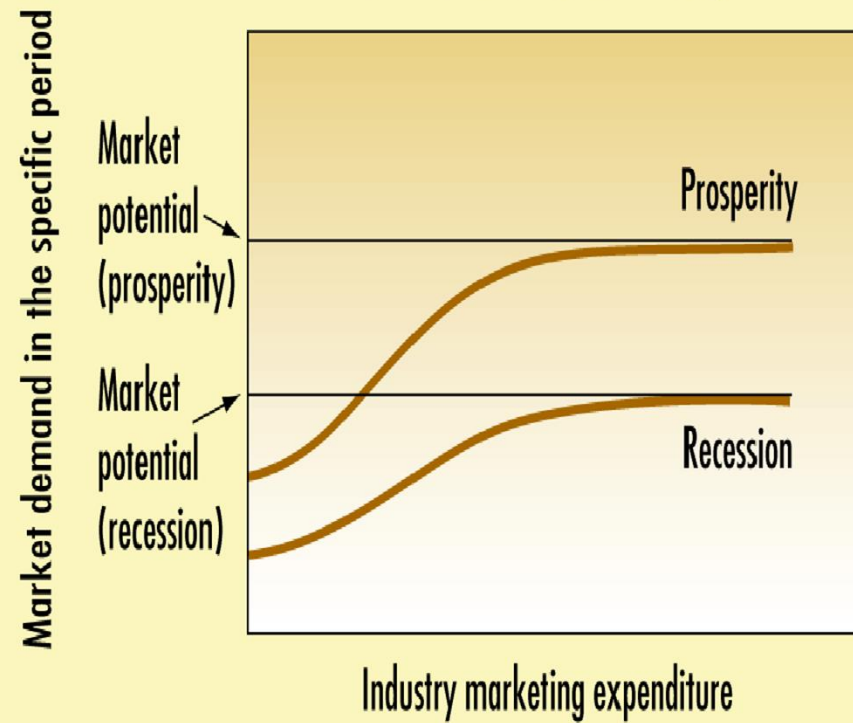


Market Demand Functions

(a) Marketing demand as a function of industry marketing expenditure (assumes a particular marketing environment)



(b) Marketing demand as a function of industry marketing expenditure (two different environments assumed)



FORECASTING and DEMAND Measurement

- □ ➤ **Which Market to Measure?**

- □ ➤ **Market Potential market**

- □ ➤ **Available market**

- □ ➤ **Target market (severed market)**

- □ ➤ **Penetrated market**

- □

- □ ➤ **Market Demand**

- □

- □ ➤ **Market share**

- □ ➤ **Market penetration index Share penetration index**

Description of concepts

- □ ➤ **Market capacity – Number of units of the product or service that would be taken by a market in a given period if the item were free**

- **Market potential – Highest potential expected industry sales of a product or service during a set time period and specified market**

Description of concepts

- ▶ □ ▶ **Sales Potential – Maximum market share**
 - ▶ **that company or brand could possibly obtain during a given period.**
- ▶ □ ▶ **Sales forecast – Expected actual sales for a company or brand during a given time period**
- ▶ **Sales Quota – Sales volume goal for a salesperson or a sales organization**

Identifying levels of ➤ forecasting

➤ Market (400 thousands of

Market (350 thousands

➤ Sales Potential (150
thousands units)

➤ Sales forecast (125
thousand units)

Sales Quota (25
thousand units per
sales person)

How Can We Estimate

➤ **Current Demand?**

➤ □ **Total market potential**

□ **Area market potential**

□ **Market buildup method**

□ **Multiple-factor index method**

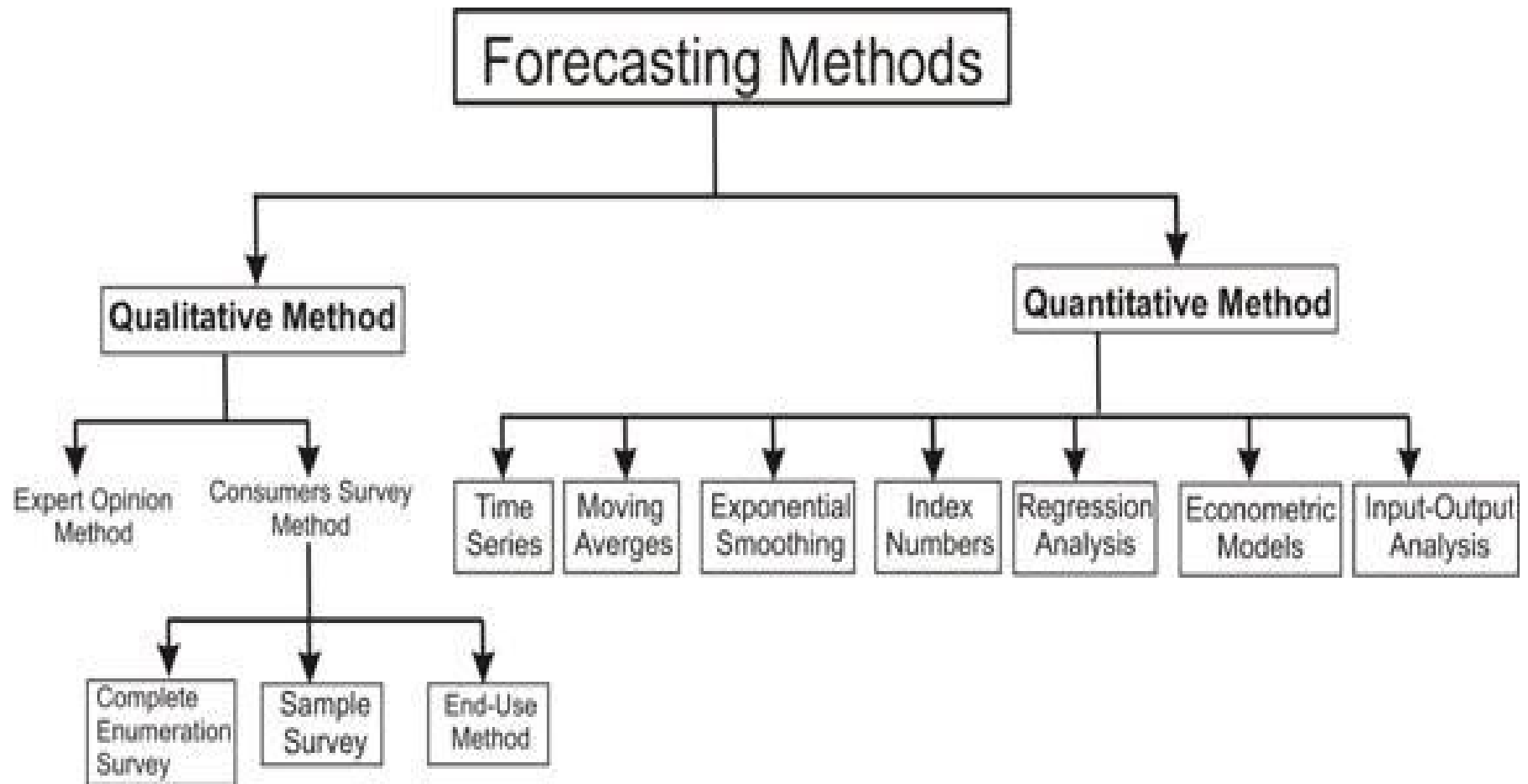
Estimating Future Demand

- **Survey of Buyers' Intentions**
- **Forecasting**
- **Purchase probability scale**
- **Composite of Sales Force Opinions**

Estimating Future Demand

- **Expert Opinion**
 - **Group discussion method**
 - **Pooling of individual estimates**
 - **Past-Sales Analysis**
 - **Time-series analysis**
 - **Exponential smoothing**
 - **Statistical demand analysis**
 - **Econometric analysis**
 - **Market-Test Method**

Qualitative & Quantitative Sales Forecasting Methods



Demand/Sales Forecasting Methods

- ▶ **Jury of executive opinions**
- ▶ **Delphi technique** (version of jury opinions method)
 - ▶ Responses of one series of questionnaires are used to produce next questionnaires
- ▶ **Poll of sales force opinion**
- ▶ **Converting Industry forecast into company forecast**
- ▶ **Projection of Past Sales**
 - ▶ Simple method (On the basis of current year's actual sales or adding some % to it (moving average))
 - ▶ **Next year's sales = this year's sales x this year's sale³⁶**

Demand/Sales Forecasting Methods

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Demand/Sales Forecasting Methods

- □ ➤ **Time series**

- analysis**

- long term trends, cyclical changes,

- □ seasonal variations, irregular fluctuations)

- For long term sales forecast

- □ ➤ **Exponential**

- smoothing**

- Moving average with weighted sum of past time series numbers including higher weight to most recent data

- Equation – Next year's sales = a (this year's sale) + $(1-a)$ (this year's forecast)

- □ a is small if the series of sales data changes

Demand/Sales Forecasting Methods

- □ ➤ **Evaluation of past sales projection method**

- □

- **Influencing factors: Market saturation, competitor's move, marketing campaigns etc.**

- □ ➤ **Regression analysis**

- **A statistical tool used in sales forecasting and measuring the association between company sales and other variables**

- □ ➤ **Simple regression (one independent and one dependent variable)**

- □ ➤ **Multiple regression (two or more independent variable and one dependent variable)**

- □ ➤ **The higher the co-relation the closer the**

Importance of demand

➤ **Forecasting**

- ⑩ **Planning & Scheduling Production**
- ⑩ **Preparation of Budget**
- ⑩ **Estimation of sales revenue**
- ⑩ **Making Policies for long term investment**
- ⑩ **Controlling Inventories**
- ⑩ **Helps in achieving targets of the company**
- ⑩ **Planning of Finance**
- ⑩ **Planning of Human resource**
- ⑩ **Continuous supply of product in to the market**

Assessing the forecasting ➤ environment

- ⑩ **Controllable factors**
- ⑩ **Uncontrollable factors**
- ⑩ **Long-run or short-run forecast**
- ⑩ **Leading indicators (to name few)**
 - ⌘ **New orders**
 - ⌘ **Ratio of price to unit labor cost in manufacturing**
 - ⌘ **Corporate Profit after tax**
 - ⌘ **Prices of industrial materials**
 - ⌘ **Average workweek in manufacturing**

Levels of Market Segmentation

- □ ➤ **Mass**
- □ **Marketing**
- □ **Differentiated Marketing**
- □ **Niche Marketing**
 - □ ➤ **Concentrated Marketing**
- □ ➤ **Local Marketing**
 - □ ➤ **Local customer groups**
- □ ➤ **Individual Marketing**
 - □ ➤ **Customization**

Mass Marketing

- □ ➤ **Ford's Model T Followed a Mass Market**
- **Approach**



Segment Marketing

➤ □ ➤ **Market segment**

➤ □ ➤ **A group of customers who share a similar set of needs and wants**

➤ □ ➤ **A marketer does not create the segments. He only**

➤ **identifies the segments and decides which products to offer.** ~~target-sized, and luxury cars~~

➤ □ ➤ **Flexible market offerings to all members of a segment, because not everyone wants exactly the same thing**

➤ □ ➤ *Naked solution:* **Basic product and service elements that all segment members value**

➤ □ ➤ *Discretionary options:* **Extra elements that not all,**

➤ **but some segment members value . Provided for an additional charge**

Niche Marketing

- **Niche: a more narrowly defined group**
- □ **seeking distinct mix of benefits**
- **Marketers identify niches by dividing a segment into sub segments**
- □ **Characteristics of a Niche**
 - **Customers have a distinct set of needs and wants Customers are willing to pay a premium**
 - □ **Niche is not likely to attract major competitors Nicher gains economies through specialization**

Local Marketing

- □ ➤ **Targeting the needs and wants of local customer groups**
- □ ➤ **Bank: Different mix of banking services in its branches depending on demographics**
- □ ➤ **Local marketing is also called grassroots marketing concentrated on getting as close and personally relevant to local customers as possible.**

Individual Marketing

- **Tailoring products and marketing programs to the**
- **needs and preferences of the individual customers. Also called one-to-one marketing, or customized**
- **marketing, mass customization**
- ***Mass-customization*: Meeting each customer's requirements on a mass basis**
- ***Choice board*: Menu of attributes, components, prices and delivery options offered by an online**
- **company *Customerization*:**
 - **Customers design a product and service by selecting their preferences from the Choice board of the online company**
 - **Company responds to individual customers by customizing its products, services, and messages on a one-to-one basis.**
 - **Examples. Dell (Laptop), Paint Companies, Paris Miki (eyeglasses). DeBeers (diamond rings).**

Bases for Segmenting ➤ Consumer Markets

Ways to segment

<u>Geographic</u> Region Urban/Sub urban	<u>Demographic</u> Age Gender Occupation Socio-economic group
<u>Psychographic</u> Life style Personality Social status	<u>Behavioral</u> Rate of usage Benefits sought Loyalty status Readiness to purchase

Geographic Segmentation

- □ ➤ **Dividing the market into different geographical units such as**
 - **Nation, State, District, Taluka, city, Village**

- □ ➤ **Can operate in one or a few areas, or operate in all but pay attention to local variations**

- □
 - **Combine geographic data with demographic data to yield even richer description of consumers and neighborhoods**

Demographic Segmentation

- □ **Dividing the market into groups on the basis of variables such as**
- □ **Family size,**
- **Family life cycle,**
- **Gender,**
- **Income,**
- **Occupation,**
- **Education,**
- **Race,**
- **Generation,**
- **Nationality, and**
- **Social class**

Demographic Segmentation

➤ □ **Age and Life-Cycle Stage**

➤ □ ➤ **Consumers' wants and abilities change with**

➤ □ **age Can be tricky variables**

➤ □ ➤ **Not only the chronologically young, but
➤ psychologically**

➤ □ **young.**

➤ □ **Life Stage**

➤ □ ➤ **Persons in the same part of a life
cycle may differ in their life stage**

➤ □ ➤ **Single, Married, Married with Child,
divorce, second marriage, taking care
of old parents,**

Demographic Segmentation

- □ ➤ **Gender**
 - □ ➤ **Gender differentiation has long been applied in clothing, hairstyling, cosmetics, magazine**
 - □ ➤ **80% of home improvement projects are now initiated by women**
 - □ ➤ **Women's goods and influence 80% of both services**
- □ ➤ **Income**
 - **Automobile, clothing, cosmetics, travel**

Demographic Segmentation

➤ □ ➤ **Generation**

➤ □ ➤ **Each generation is profoundly influenced by the times in which it grows up-the music, movies, politics, and defining events of that period.**

➤ □ **Groups in each generation is called cohorts.**

➤ **Members share the same major cultural, political, and economic experiences and have similar outlooks and values**

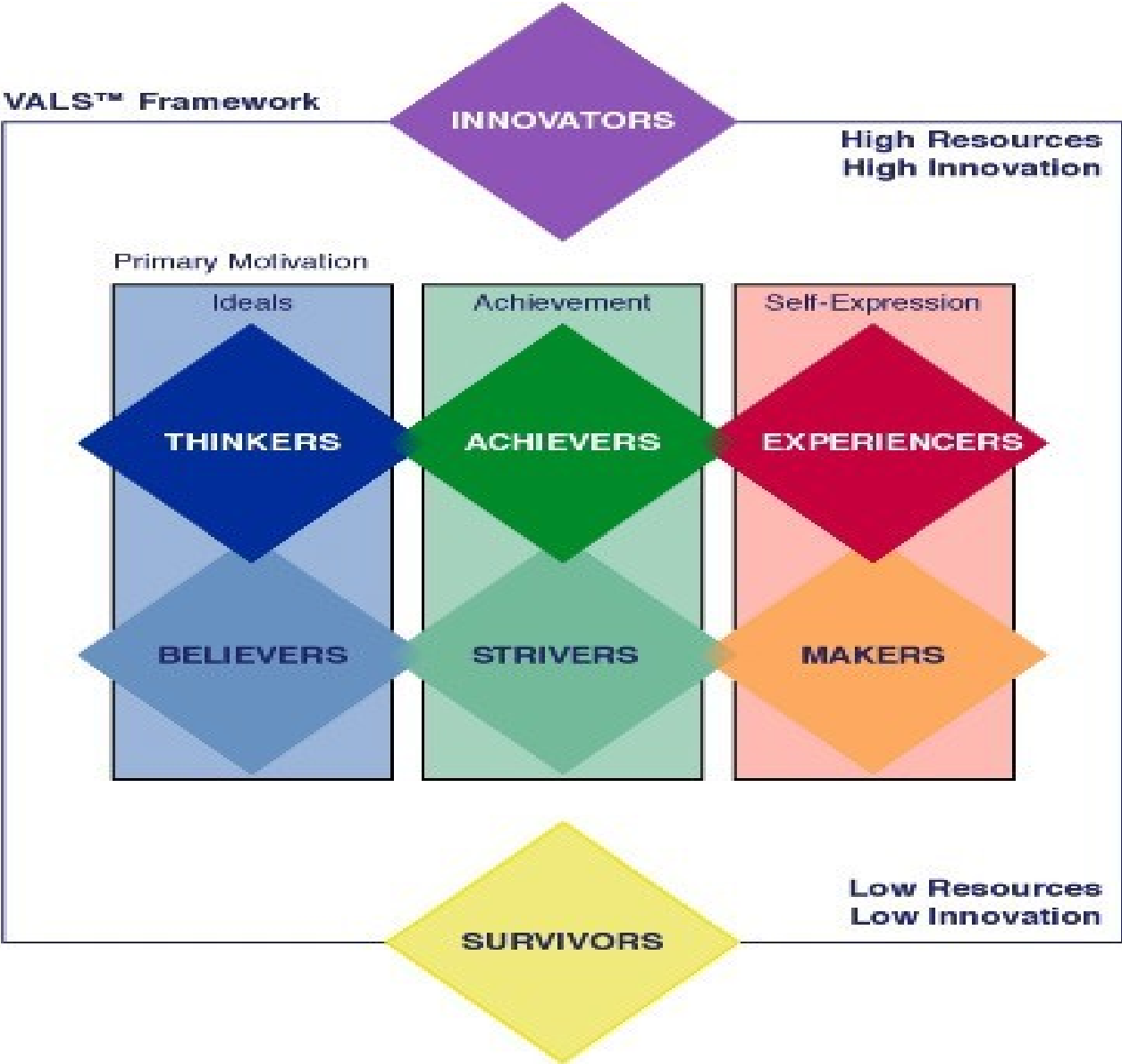
➤ □ ➤ **Social Class**

➤ □ ➤ **Automobiles, clothing, home furnishings, leisure activities, reading habits, and retailers**

Psychographic Segmentation

- ▶ □ ▶ **Dividing buyers into different groups based on psychological/personality traits, lifestyle or values**
- ▶ **People within the same demographic group can exhibit very different psychographic profiles**

Segmentation System



Segmentation System

- **Innovators (formerly Actualizers):** Consumers with very high resources
 - exhibit all three primary motivations: Ideals, Achievement, and Self-Expression
 - Their purchases reflect cultivated tastes for upscale, niche products and services.
- **Survivors (formerly Strugglers)** Consumers with very low resources
 - Primarily concerned with meeting daily needs rather than fulfilling desires
 - A very modest market for most products and services.

Segmentation System

➤ Thinkers (formerly Fulfilleds)

- **Primarily motivated by Ideals**

- □

- **They look for durability, functionality, and value in the**

- □

- **products they buy**

➤ □ ➤ Achievers

- □ ➤ **Primarily motivated by Achievement**

- □ ➤ **They favor established, prestige products and services that demonstrate success to their**

- □ **peers.**

➤ □ ➤ Experiencers

- □

- **Primarily motivated by Self-Expression**

- **They spend a comparatively high proportion of their income on fashion, entertainment, and socializing**

Segmentation System

➤ **Believers**

- □ ➤ **Primarily motivated by**
- □ **Ideals**
 - **They favor familiar, National products and are**
- □ ➤ **loyal to established brands.**

➤ **Strivers**

- □ ➤ **Primarily motivated by Achievement**
 - **They favor stylish products that emulate the**
- □ ➤ **purchases of people with greater material wealth**

➤ □

➤ **Makers**

- **Primarily motivated by Self-Expression**
- **They buy basic products rather than luxury goods**

➤ Behavioral Segmentation

- □ **Dividing buyers into groups based on** *buyers' knowledge of & attitude toward, use of or response to a product*

Behavioral Segmentation

- □ ➤ **Behavioral Variables:** Many marketers believe that behavioral variables are the best starting points for constructing market segments
 - □ **Occasions**
 - □ **Benefits User**
 - □ **Status Usage Rate**
 - □ ➤ **Loyalty Status**
 - □ ➤ **Buyer-Readiness**
 - □ **Stage Attitude**

Behavioral Segmentation

➤ **Benefits**

- □ ➤ **Consumers are classified according to the benefits they seek from the product**
- □ ➤ **From the same product different customers wants different types of benefits.**
- □ ➤ **Examples. Soap, Shampoo**

Behavioral Segmentation

➤ **User Status**

- □ ➤ **Consumers can be segmented according to their user status into**
- □ ➤ **nonusers, ex-users,**
- □ ➤ **potential users, first-time users,**
- □ ➤ **regular users of the product**
- □
- □

➤ **User Status**

- □ ➤ **Each requires a different marketing strategy**
 - □ ➤ **Market leaders tend to focus on attracting potential users because they have the most to gain.**
 - □ ➤ **Smaller firms focus on trying to take current users away from the market leader**

Behavioral Segmentation

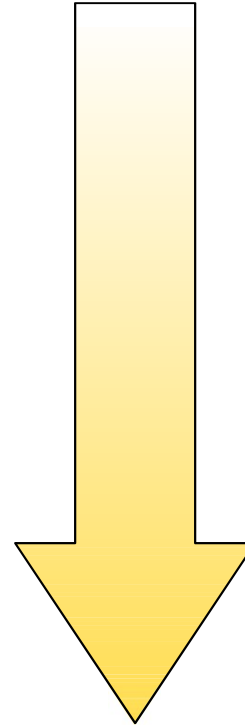
➤ Usage Rate

- **Consumers can be segmented according to their usage rate into light, medium, heavy product users**
- **Heavy users are small percentage of the market but a high percentage of total consumption. 87% of beer consumed, 7 times as much as light beer drinkers**

➤ Behavioral Segmentation

Buyer-Readiness Stage

- Aware**
- Ever tried**
- Recent trial**
- Occasional user**
- Regular user**
- Most often used**



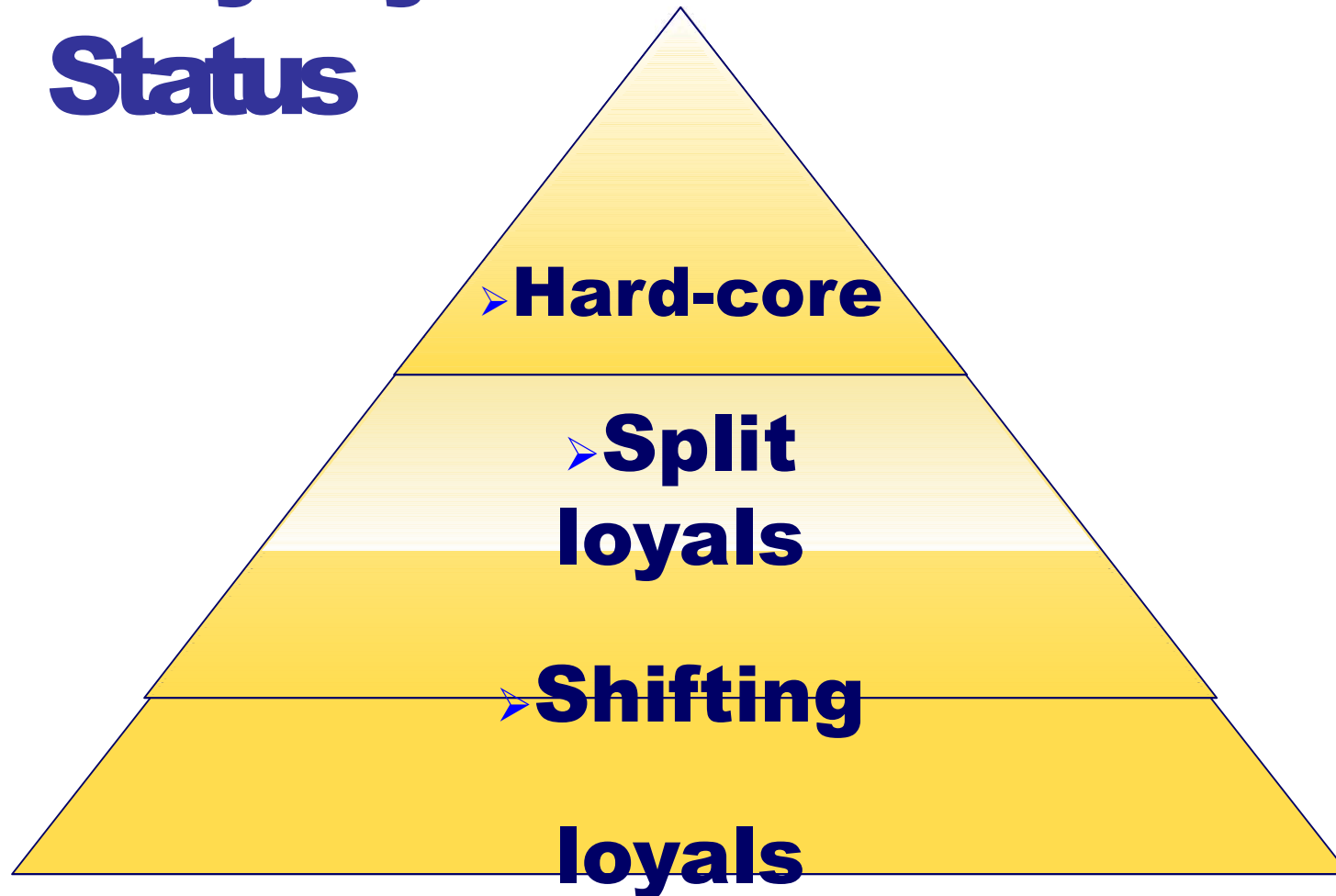
Behavioral Segmentation

➤ **Buyer-Readiness Stage**

- □ ➤ **Consumers are in different stages of readiness to buy a product**
 - □ **Some are unaware of, aware of, informed of, interested in, the product**
 - □ **Some desire the product and some intend to buy it**
- □ ➤ **The relative numbers are an important**
- **influencer in designing the marketing program**

Behavioral Segmentation

➤ Loyalty Status



Switchers

Behavioral Segmentation

➤ Loyalty Status

- □ ➤ **Consumers can be divided into four groups**
 - **according to the degree of loyalty to specific brands, stores or companies**
 - □
 - *Hard-core loyals:* **Buy one brand all the time**
 - □
 - *Split loyals:* **Loyal to two or three brands**
 - □ *Shifting loyals:* **Shift from one brand to another**
 - □ *Switchers:* **Show no**

Behavioral Segmentation
➤ **Loyalty Status**

➤ □ ➤ **By studying**



- □ ➤ **its hard-core loyals, the firm can identify its product's strength**
- □ ➤ **its split loyals, the firm can pinpoint which brands are most competitive with its own brand**
- **its shifting loyals, the firm can learn about its marketing weaknesses**

Behavioral Segmentation

- **Decision**

- □ **Roles**

- □ ➤ **Initiator**

- □ **Influencer**

- □ **Decider**

- □ **Buyer User**

Segmenting for Business Markets

➤ **Demographic**

➤ **Operating Variable**

Purchasing Approaches

➤ **Situational Factors**

➤ **Personal Characteristics**



Market Targeting

Effective Segmentation

➤ **Criteria for Target market**

➤ **Measurable**

➤ **Substantial**

➤ **Accessible**

Differentiable

➤ **Actionable**

Effective Segmentation Criteria for Market

➤ **Targeting**

➤ □ ➤ **Measurable**

- □ ➤ **Size, purchasing power, characteristics of the segment**

➤ □ ➤ **Substantial**

- □ ➤ **Large and profitable enough to serve**

➤ □ ➤ **Accessible**

- □ ➤ **Can effectively reached and served**

➤ □ ➤ **Differentiable**

- □ ➤ **Distinct and respond differently**

➤ □

➤ □ ➤ **Actionable**

- **Effective programs can be formulated for attracting and serving the segments**

Evaluating and Selecting the Market

➤ Segments for Market Targeting

➤ □ ➤ Evaluating the Market Segments

➤ □

➤ □

➤ □ ➤ **Segment's overall attractiveness on size,**

➤ □ ➤ **growth, profitability, economy of scale, degree of risk.**

➤ □ ➤ **Company's objectives,**

➤ □ **competences,**

➤ □ ➤ **and resources**

Patterns of Target Market Selection

Single-segment Concentration

	M_1	M_2	M_3
P_1			
P_2			
P_3			

Selective Specialization

	M_1	M_2	M_3
P_1			
P_2			
P_3			

Patterns of Target Market Selection

Product Specialization

	M_1	M_2	M_3
P_1	Light Tan	Light Tan	Light Tan
P_2	Teal	Teal	Teal
P_3	Light Tan	Light Tan	Light Tan

Market Specialization

	M_1	M_2	M_3
P_1	Orange	Light Tan	Light Tan
P_2	Orange	Light Tan	Light Tan
P_3	Orange	Light Tan	Light Tan

Patterns of Target Market Selection

Full Market Coverage

	M_1	M_2	M_3
P_1			
P_2			
P_3			

P = Product M = Market

Selecting the Market Segments

➤ **Single-Segment Concentration**

- □ ➤ **Can gain a strong knowledge of segment's needs and operating economies through specializing production, distribution, and promotion**
 - **Porsche: Sports car market**
 - □
- □ ➤ **There are risks**
 - □ ➤ **A particular market segment can turn sour**
 - □ ➤ **Competitors may invade the segment**
- □ ➤ **Strategies**
 - □
 - □
 - **Operate in more than one segment**
 - **Focus on economies of scope**

Selecting the Market Segments

➤ **Selective Specialization**

- **A firm can select a number of segments.**
- **There may be little or no synergy among the segments but each is profitable**
- **This multi segment strategy has the advantage of diversifying the firm's risk**

Selecting the Market Segments

➤ **Product Specialization**

- **Specializes in a certain product sold to several different market segments**
- **Can build a strong reputation in the specific product area**
- **Strong vulnerability**
 - □ **The product may be supplemented or become obsolete by an entirely new technology**

Selecting the Market Segments

➤ **Market Specialization**

- **Specializes in serving many needs of a particular customer group**
- □ **Supply several types of products only to university laboratories**
- **Can gain a strong reputation in serving a specific customer group**
- **Customer group can downsize or shrink**

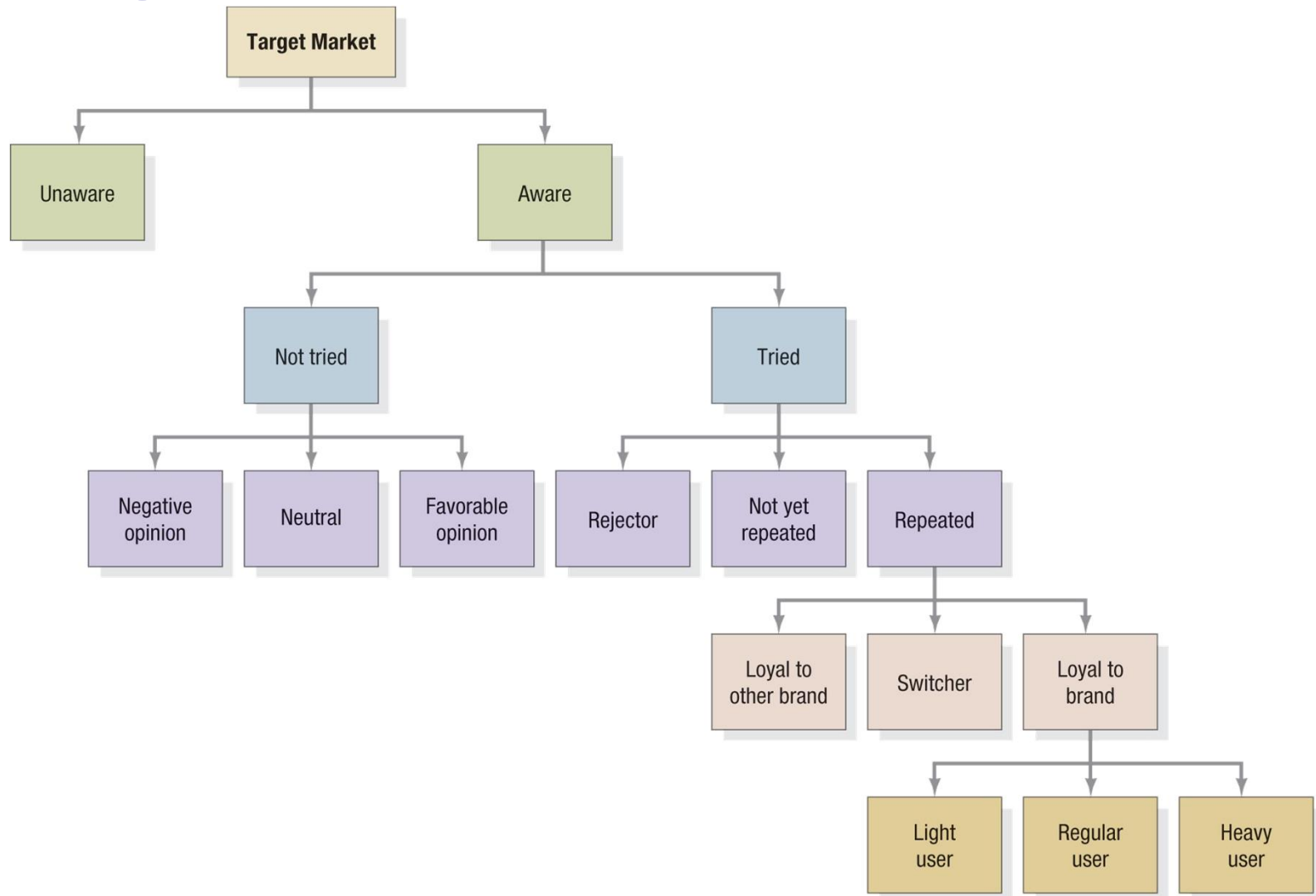
Selecting the Market Segments

➤ **Full Market Coverage**

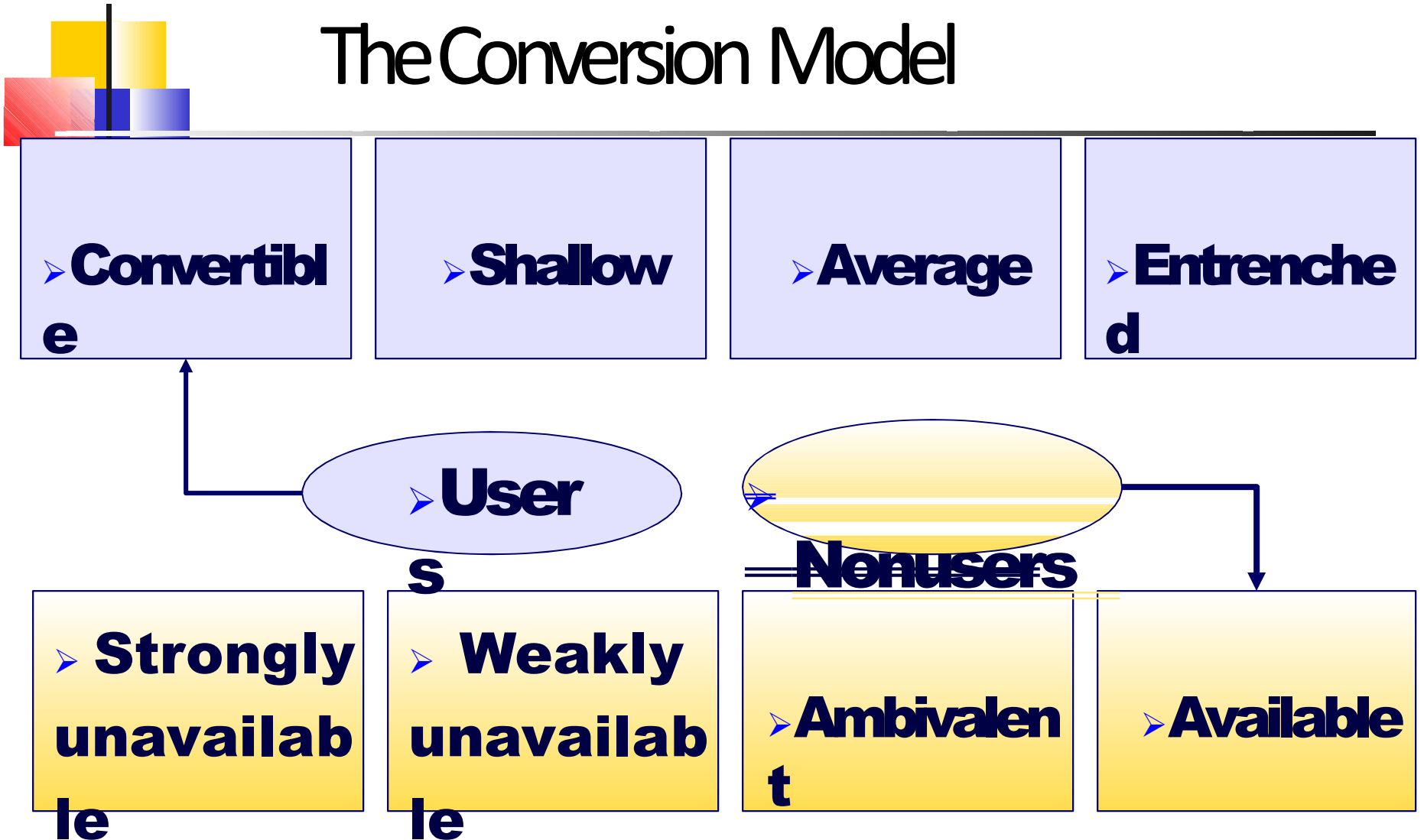
- **The firm attempts to serve all customer groups with all the products they might need. Only very large firms can do**
- **Undifferentiated Marketing**
 - **Coca-Cola**
- **Differentiated marketing**
 - **IBM, GE**

Behavioral

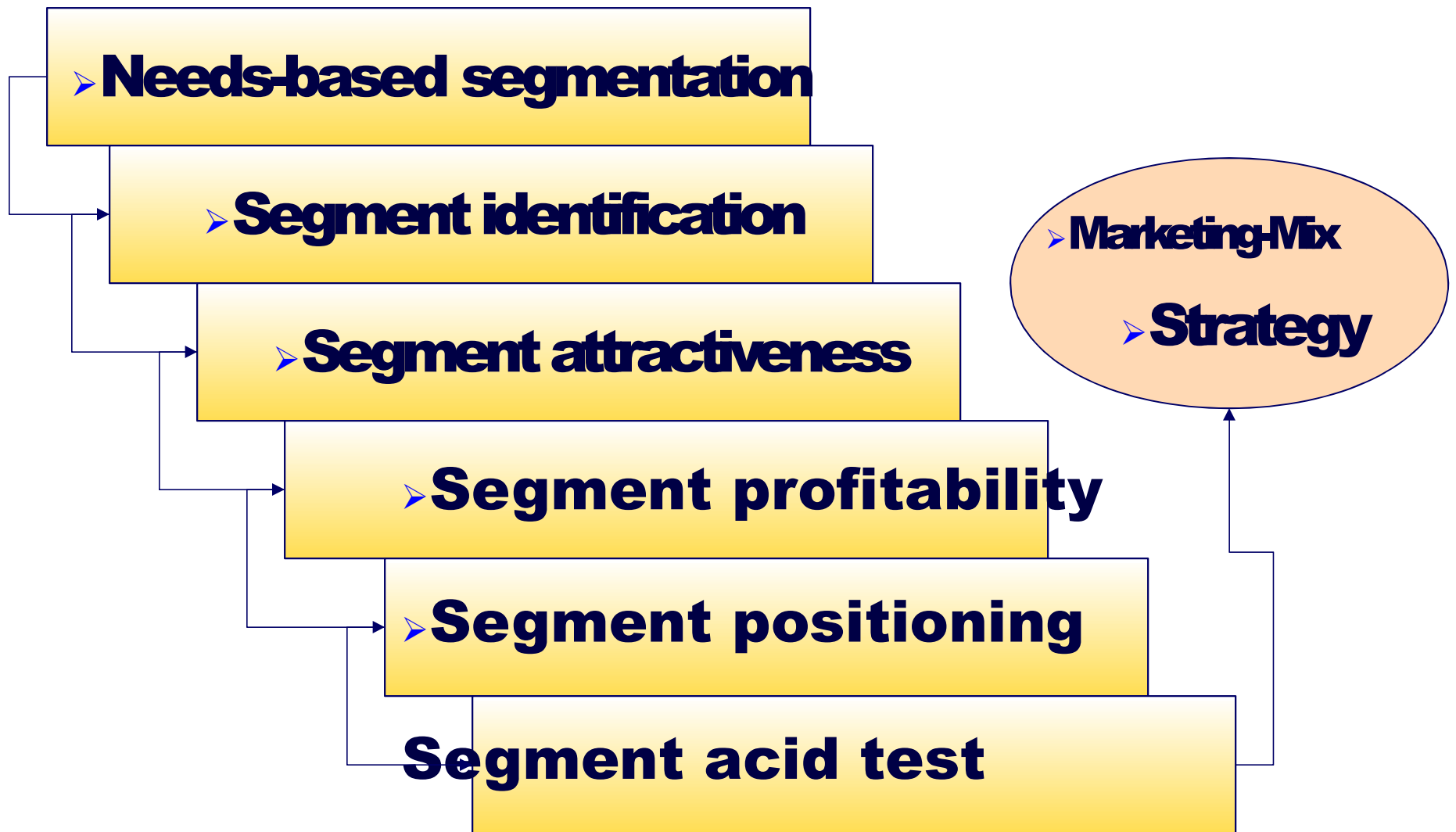
➤ Segmentation Breakdown



The Conversion Model



Steps in Segmentation Process



□ Segment-By-Segment Invasion Plans,

➤ □ **Enter one segment without revealing total expansion plan**

- □
 - Pepsi-Cola attacked Coca-Cola in the grocery market, then in the vending machine market, then in the fast-food market, and so on.
 - Toyota introduced small cars (Corolla, Tercel), midsize cars (Camry, Avalon), luxury cars (Lexus)

Figure 8.5: Segment-by-Segment Invasion Plan

