**MKT 826 - Marketing Management**

**Chapter 1 - Introduction to marketing**

Marketing is the science of meeting the needs of a customer by providing valuable products to customers by utilizing the expertise of the organization, at same time, to archive organizational goals.

With this definition, it is important to realize that the customer can be an individual user, a company, or several people who contribute to the purchasing decision.

The product can be a hard good, a service, or even an idea – anything that would provide some value to the person who provides an exchange. An exchange is most often thought of as money, but could also be a donation of time or effort, or even a specific action. A producer is often a company, but could be an individual or non-profit organization.

Classical marketing is often described in terms of the four “P’s, which are:

* Product – what goods or services are offered to customers
* Promotion – how the producer communicates the value of its products
* Price – the value of the exchange between the customer and producer
* Placement – how the product is delivered to the customer

A complete analysis of these categories is often called the Marketing Mix. Marketing has both inbound and outbound activities.

Inbound activities largely center on discovering the needs and wants of the potential customers.

The collective group of all potential customers is called a market.

Categorizing these needs into groups is called segmentation. Organizing markets into segments allows a producer to more logically decide how to best provide value to that group of potential customers. The analysis of market segment needs; analysis of existing sales and profitability; the descriptions, design and introduction of new products; and the analysis of competitor offerings are also inbound activities that are important but not often seen by the public.

Outbound activities include all aspects of informing the market that a product is available, delivering that product, and encouraging the purchase decision. These activities include advertising, promotion, supply chain, sales support, product training, and customer support.

**Marketing is a data driven science**

The good marketer will develop the data necessary to define the customer’s needs, develop a good product based on the available resources, deliver the product in an effective manner to the consumer at a price that reflects the customer value and the profit desired by the producer.

**Marketing Models**

When the producer is a commercial entity and the end user makes the purchasing decision, the model used to describe this transaction is often called a Business to Consumer (B2C) model.

When the producer is a commercial entity and a second commercial entity makes the purchasing decision but provides the product to their customer, then the model is often called a Business to Business (B2B) model.

The difference in these models affects how the marketer constructs his marketing analysis and marketing mix.

**Aspects of Marketing**

Marketing has many aspects or sub-disciplines within the broad discipline of marketing. They include:

- Advertising

- Branding

- Copywriting

- Customer relationship management (CRM)

- Direct marketing

- Event planning

- Graphic design

- Internet Marketing

- Loyalty marketing

- Market research

- Marketing communications

- Media relations

- Merchandising

- New product development

- Pricing

- Product management

- Promotion

- Public relations

- Sales management and support

- Search engine optimization (SEO)

- Social media optimization

- Strategic planning

- Supply chain management

Marketing functions in all of these areas. A marketer can do many of these functions within an organization or specialize in one or more.

**The Market**

The market consists of all prospective customers for a given product, service, or idea.

Customers can be purchasers who intend to resell the product or end users who intend to use or consume the product. The market can be categorized into separate groups called segments. When a producer appeals to a market or market segment, the producer must take into account the distinction between the end user or consumer and the purchaser or decision maker(s). This is especially true in B2B models. The market may be individuals or organizations that are able to purchase the organization’s product. Each entity in the delivery chain will have different needs, so a complete market needs analysis must include all potential segments and all entities within each segment.

**The Product**

Products are all goods, services, and ideas that are sold or traded.

Products that can be marketed include all goods, services, and ideas that are sold or traded. Products can be either *tangible*, as in the case of physical goods, or *intangibles*, such as those associated with service benefits or ideas (intellectual property), or any combination of the three. The *producer* is the entity that offers the product to the market. The producer can be the manufacturer, the wholesaler, the retailer, the service provider, or a combination of these. For services, it is sometimes easier to use the term *provider* instead of producer.

**Goods**

Goods are a physical product capable of being delivered to a purchaser and involves the transfer of ownership from seller to customer.

**Services**

A service is a non-material action resulting in a measurable change of state for the purchaser caused by the provider.

**Ideas (Intellectual Property)**

Intellectual Property is any creation of the intellect that has commercial value, but is sold or traded only as an idea, and not a resulting service or good. This includes copyrighted property such as literary or artistic works, and ideational property, such as patents, appellations of origin, business methods, and industrial processes.

**Product Pricing**

Price is set at a level which indicates the perceived value agreement between producer and purchaser.

Once an organization has its product to sell, it must then determine the appropriate price to sell it at. The *price* is set by balancing many factors including supply-and-demand, cost, desired profit, competition, perceived value, and market behavior. Ultimately, the final price is determined by what the market is willing to exchange for the product. Pricing theory can be quite complex because so many factors influence what the purchaser decides is a fair value.

It also should be noted that, in addition to monetary exchange, price can be the exchange of goods or services as in a barter agreement, or an exchange of specific behavior, such as a vote in a political campaign.

**Product Promotion**

Informing the market about a product, product line, brand, or company and encouraging a purchase decision.

Once an organization has learned the market needs, produced or procured a product, and priced it, it then needs to promote the product by letting the market know that it exists, and how it can be purchased.

Promotioninvolves providing information about a product, product line, brand, or company. There are many ways to promote including:

- Advertising

- Personal selling

- Sales discounts

- Public Relations/Publicity

- Sampling

- Word of mouth, including electronic endorsements

- Product placement

**Product Distribution**

Delivery of the product to the purchaser.

Once an organization has produced or procured, priced, and promoted a product, it then needs to deliver that product to the purchaser. Some distribution examples:

- Direct sale to the customer from the producer

- Wholesale distribution where the producer sells in large quantities only to an intermediary, not the end user

- Retail sales where a retailer will buy large quantities, but sell smaller quantities to individual customers

- Value added resale (VARs) where an organization purchases a product from a producer and, in turn, resells it to a consumer after adding additional products, services, or expertise.

**Earlier approaches to Marketing Concepts**

The marketing orientation evolved from earlier orientations, namely, the production orientation, the product orientation and the selling orientation.

Until the 1950s and 1960's, Firms focused on a production orientation which specializes in producing as much as possible of a given product or service. Thus, this signifies a firm exploiting economies of scale until the minimum efficient scale is reached. A production orientation may be deployed when a high demand for a product or service exists, coupled with a good certainty that consumer tastes will not rapidly alter (similar to the sales orientation).

A firm employing a product orientation is chiefly concerned with the quality of its own product. A firm would also assume that as long as its product was of a high standard, people would buy and consume the product.

Also in 1950s and 1960s, a firm using a sales orientation focuses primarily on the selling/promotion of a particular product, and not determining new consumer desires as such. Consequently, this entails simply selling an already existing product, and using promotion techniques to attain the highest sales possible.

Such an orientation may suit scenarios in which a firm holds dead stock, or otherwise sells a product that is in high demand, with little likelihood of changes in consumer tastes that would diminish demand.

In 1970s to the present day, The 'marketing orientation' is perhaps the most common orientation used in contemporary marketing. It involves a firm essentially basing its marketing plans around the marketing concept, and thus supplying products to suit new consumer tastes. As an example, a firm would employ market research to gauge consumer desires, use R&D (research and development) to develop a product attuned to the revealed information, and then utilize promotion techniques to ensure persons know the product exists.

In the 21st Century, The holistic marketing concept looks at marketing as a complex activity and acknowledges that everything matters in marketing - and that a broad and integrated perspective is necessary in developing, designing and implementing marketing programs and activities. The four components that characterize holistic marketing are relationship marketing, internal marketing, integrated marketing, and socially responsive marketing.

**Contemporary approaches to Marketing Concepts**

Recent approaches in marketing include relationship marketing with focus on the customer, business marketing or industrial marketing with focus on an organization or institution and social marketing with focus on benefits to society. New forms of marketing also use the internet and are therefore called internet marketing or more generally e-marketing, online marketing, "digital marketing", search engine marketing, or desktop advertising. It attempts to perfect the segmentation strategy used in traditional marketing. It targets its audience more precisely, and is sometimes called personalized marketing or one-to-one marketing. Internet marketing is sometimes considered to be broad in scope, because it not only refers to marketing on the Internet, but also includes marketing done via e-mail, wireless media as well as driving audience from traditional marketing methods like radio and billboard to internet properties or landing page.

**Chapter 2 - Marketing in a developing economy**

Marketing is an evolving and dynamic discipline that cuts across every spectrum of life. This explains why contemporary societies are now involved in one form of marketing activity or the other. The recent advancement in technology, has aided the free flow of goods and services as well as information amongst businesses and institutions, thereby turning the marketing environment into a global village.

Marketing is intricately linked with the economy of virtually all nations of the world. It is the major factor, especially in developed economies responsible for the wealth of nations and the means of resuscitation during economic depression. For the developed countries as a whole, marketing experience has occurred as part of the evolutionary cultural process and also progress of these nations. Therefore practical problems are profoundly handled as they had arisen, with available resource means at the material time. But the developing countries are evidently operating in an entirely different context today.

**Characteristics of Developing Economies**

Developing countries are characterized by high birth and death rates, poor sanitation and health practices, poor housing, a high percentage of the population in agriculture, low per capita income, high rate of illiteracy, weak and uneven feelings of national cohesion, low status rating for women, poor technology, limited communication and transport facilities, predominantly exports of raw materials.

 Others include political instability, low savings and low net investment, military or feudal domination of state machinery, wealth in the hands of a very few, poor credit facilities, prevalence of non-monetized production, wealth sometimes exported to save in developed countries, civil unrests such as in the Niger Delta in Nigeria, and a host of others.

Therefore countries with these kinds of peculiarities find it difficult to develop their marketing potentials. There are equally conditions in an economy that favour and compel the full application of marketing activities to achieve the objective of growth and profit, while there are conditions which do not favour, or make nonsense of it

In seeking to ensure that every country designs and implements the best method of achieving socio-economic transformation, marketing can be a veritable vehicle . Marketing can ensure that the values and environmental opportunities of an economy are taken into consideration with a view to achieving an integrated approach to development .

 The new marketing concept is a philosophy of business that states that the customer’s want satisfaction is the economic and social justification for the existence of any company or organization. Therefore all companies’ activities and effort must be devoted towards achieving this objective, while still making a profit. The changing social and economic conditions in the technologically advanced countries were fundamental in the development and evolution of the marketing concept.

In spite of the fact that the concept evolved in the advance countries, the boundaries of marketing have extended remarkably to different frontiers. Generally, marketing strives to serve and satisfy human insatiable needs and wants. Therefore, marketing can be considered as a strategic factor in the economic structure of any society (either developed or developing). This is because it directly allocates resources and has a great impact on other aspects of economic and social life.

It is pertinent to note that the power of marketing is the same, but there exist qualitative and quantitative differences, depending on the particular situation at hand in a given country. For instance if there is severe inflation in a country and if left uncheck it will reduce the standard of living of the people as a result of the fall in their purchasing power. This situation could have a multiplier effect, because sales may drop, workers may equally be laid off, etc. Globally, the major role of marketing is to ensure the continuance in growth of economies and individual’s standard of living. In developing economies marketing can act as a catalyst to institutionalize and propel economic growth and commercial life of the people. It can also lag behind it, depending on whether marketing is practice and used actively, or whether it is allowed to evolve in a passive fashion.

**Necessity of Marketing in an Economy**

1. Free Supply of Goods

2. Competitive Conditions:

3. Competition at Distribution Points

4. High Margins for Marketing and Profits

5. Rapid Change in Technology and Consumer Taste

6. Frequent Purchases by Consumer

7. Good Opportunities for Product Differentiation

**Importance of Marketing to an Economy**

1. Marketing Impact on People

2. Improved Quality of Life

3. Improved Quality of Product

4. Contribute to Gross National Product:

5. Acceleration of Economic Growth

6. Economic Resuscitation and Business Turn- Around

7. Provide Job Opportunities

**Problems of Marketing in Developing Economies**

1. Low Marketing Education

2. Preferences for Foreign Products

3. Low Patronage for Non-essential Products and Services

4. High cost of production

5. Inadequate Infrastructures

6. Few Competitive Opportunities

7. Over- Regulation of Business by Government

8. Political Instability and Civil Unrest

**Prospects of Marketing in Developing Economies**

1. Growing Population

2. Absence of Competition and Large Unexplored Markets

3. Attractive Government Incentives

4. Growing Affluence

5. Availability of Cheap Production Inputs

6. Rapid Economic Development

**Chapter Three: Marketing of Services**

Service marketing is a sub field of marketing which covers the marketing of both goods and services.

Goods marketing include the marketing of fast moving consumer goods (FMCG) and durables.

Service marketing typically refers to the marketing of both business to consumer (B2C) and business to business (B2B) services.

Common examples of service marketing are found in telecommunications, air travel, health care, financial services, all types of hospitality services, car rental services, and professional services.

Services are economic activities, rather than tangible products, offered by one party to another. Rendering a service to recipients, objects, or other assets depends on a time-sensitive performance to bring about the desired result. In exchange for money, time, and effort, service customers expect value from access to goods, labor, professional skills, facilities, networks, and systems; but they do not normally take ownership of any of the physical elements involved.

A service is the action of doing something for someone or something. It is largely intangible (i.e. not material). You cannot touch it. You cannot see it. You cannot taste it. You cannot hear it. You cannot feel it. So a service context creates its own series of challenges for the marketing manager since he or she must communicate the benefits of a service by drawing parallels with imagery and ideas that are more tangible.

**Characteristics of Services**

1. Inseparable

2. Intangible

3. Perishable

4. Homogenous

5. Variable

**History of Services Marketing**

Services marketing is a relatively new phenomenon in the domain of marketing. It gained importance as a discipline towards the end of the 20th century. Services marketing first came into force in the 1980s when there was debate of whether the marketing of services was significantly different from that of products, and whether it should be classified as a separate discipline. Prior to this, services were considered as an aid to the production and marketing of goods, and were not deemed as having separate relevance on their own.

The 1980s saw a shift in this thinking. As the service sector started to grow in importance in post-industrial societies and emerged as a significant employer and contributor to those nations' GDPs, academia and marketing practitioners began to look at the marketing of services in a new light. Empirical research was conducted which brought to light the specific distinguishing characteristics of services.

By the mid 1990s, services’ marketing was firmly entrenched as a significant sub-discipline of marketing with its own empirical research and data, growing significance in the increasingly service sector dominated economies of the new millennium. New areas of study in the field opened up and were the subject of extensive empirical research. This gave rise to concepts such as the product-service spectrum, relationship marketing, franchising of services, customer retention, and others.

Due to the increasing homogeneity in product offerings, the attendant services provided are emerging as a key differentiator in the mind of the consumers. In case of two fast food chains serving a similar product, it is the service quality that distinguishes the two brands from each other, rather than the product. Marketers are able leverage their service offering to differentiate themselves from the competition and attract consumers.

Relationships are a key factor when it comes to the marketing of services. Since the product is intangible, a large part of the customers’ buying decision will depend on the degree to which he trusts the seller. Hence, the need to listen to the needs of the customer, to fulfill them through the appropriate service offering, and to build a long lasting relationship is important because it would lead to repeat sales and positive word of mouth.

Given a highly competitive scenario where multiple providers are vying for a limited pool of customers, retaining customers is even more important than attracting new ones. Since services are usually generated and consumed at the same time, they involve the customer in service delivery process by taking into consideration his expectations and feedback. Thus, they offer a greater scope for customization according to customer requirements, which increase satisfaction, leading to higher customer retention.

When the physical product cannot easily be differentiated, the key to competitive success may lie in adding valued services and improving their quality.

**The 7 P’s of Services Marketing**

The first four elements in the services marketing mix are the same as those in the traditional marketing mix. However, given the unique nature of services, the implications of these are slightly different in case of services.

**Product:** In case of services, the ‘product’ is intangible, heterogeneous and perishable. Moreover, its production and consumption are inseparable. Hence, there is scope for customizing the offering as per customer requirements and the actual customer encounter therefore assumes particular significance. However, too much customization would compromise the standard delivery of the service and adversely affect its quality. Hence particular care has to be taken in designing the service offering.

**Pricing:** Pricing of services is tougher than pricing of goods. While the latter can be priced easily by taking into account the raw material costs, in the case of services, attendant costs - such as labor and overhead costs - also need to be factored in. Thus, a restaurant not only has to charge for the cost of the food served but also has to calculate a price for the ambience provided. The final price for the service is then arrived at by including a mark up for an adequate profit margin.

**Place:** Since service delivery is concurrent with its production and cannot be stored or transported, the location of the service product is important. Service providers have to give special thought to where the service will be provided. Thus, a fine dine restaurant is better located in a busy, upscale market in comparison to the outskirts of a city. Similarly, a holiday resort is better situated in the countryside away from the rush and noise of a city.

**Promotion:** Since a service offering can be easily replicated, promotion becomes crucial in differentiating a service offering in the mind of the consumer. Thus, service providers offering identical services such as airlines or banks and insurance companies invest heavily in advertising their services. This is crucial in attracting customers in a segment where the services providers have nearly identical offerings.

The final three elements of the services marketing mix - people, process and physical evidence - are unique to the marketing of services.

**People:** People are a defining factor in a service delivery process, since a service is inseparable from the person providing it. Thus, a restaurant is known as much for its food as for the service provided by its staff. The same is true of banks and department stores. Consequently, customer service training for staff has become a top priority for many organizations today.

**Process:** The process of service delivery is crucial since it ensures that the same standard of service is repeatedly delivered to the customers. Therefore, most companies have a service blueprint which provides the details of the service delivery process, often going down to even defining the service script and the greeting phrases to be used by the service staff.

**Physical Evidence:** Since services are intangible in nature most service providers strive to incorporate certain tangible elements into their offering to enhance customer experience. Thus, there are hair salons that have well designed waiting areas often with magazines and plush sofas for patrons to read and relax while they await their turn. Similarly, restaurants invest heavily in their interior design and decorations to offer a tangible and unique experience to their guests.

**Chapter Four: Planning of marketing mix**

No company can survive in the modern world unless it plans for the future. Marketing planning is the technique that enables a company to decide on the best use of its scarce resources to achieve its corporate objectives.

The marketing plan is the passport to this future.

Planning Marketing Mix process involves a full analysis of strengths and weaknesses of the company, its organization and its products.

**The Role of Marketing Planning**

Marketing Planning is the structured process that leads to a coordinated set of marketing decisions and actions, for a specific organization and over a specific period, based on;

1. An analysis of the current internal and external situation, including markets and customers.

2. Clear marketing direction, objectives, strategies and programmes for targeted customer segments.

3. Support through customer service and internal marketing programmes.

4. Management of marketing activities through implementation, evaluation and control.

The course of action that results from marketing planning is recorded in a marketing plan. This internal document outlines the market place situation and describes the marketing strategies and programmes that will support the achievement of business and organization goals over a specified period, usually one year.

**The Benefits of Marketing Planning**

1. It enables marketers to examine any number of suitable opportunities for satisfying customers and achieving marketing goals, as well as current and potential threats to overall performance. The process provides a framework for systematically identifying and evaluating different possibility and outcomes.

2. It keeps you focused on your customer’s help determine what your organization can do (and what it can’t do) for customers helps you examine offerings in the context of competition and the marketing environment; and sets up the rationale for allocating resources to achieves.

Marketing planning, in effect, deals with the, whom, what, when where, how and how much of an organizations marketing during a certain period (usually a year).

However, the marketing plan is not simply an account of what you as a marketer hope to accomplish in the coming year. Your plan must allow for measuring progress forward objectives and making adjustment if actual results vary from projections for example, new competitions may enter the market place, regulations may evolve, economic situations can improve or worsen and customer Leads may change, among other shift that can affect marketing performance.

**The Dynamic Marketing Plan**

A good marketing plan must be dynamic, anticipating likely changes and providing guidelines for how to react with customer relationships in mind. The marketing environment has become so volatile that the most successful companies continually update and revise their marketing plan lasts forever’; even the most effective plan must be adjusted as the marketing situation evolves you may, in fact, want to have several alternative plans in mind that might be implemented if Significant changes occur.

Marketing planning is especially important for start – up businesses.

**The Marketing Planning Process**

1. Analyze the current situation

2. Research and analyze market and customers

3. Determine segmentation, forgetting and positioning

4. Set marketing plan direction and objectives

5. Plan marketing strategies, programmes and support

6. Plan to measure progress and performance

7. Implement, control and evaluate the plan

**Marketing Mix**

It describes the different kinds of choices organizations have to make in the whole process of bringing a product or service to market.

The 4P’s is one way-probably the best-known way of defining the marketing mix.

The 4P’S are:

- Product (or service)

- Place

- Price

- Promotion

The 4P’S model is just one of many marketing mix lists that have been developed over the years. And, whilst the questions of the detailed probing that may be required to optimize your marketing mix.

Amongst the other marketing mix models have been developed over the years is 7PS, which include the first 4P’S, plus people, processes and physical layout decisions.

Another marketing mix approach is 4C’S, which presents the elements of the marketing mix from the buyer’s, rather than the seller’s perspective. It is made up of Customer needs and wants (the equivalent of product), cost (price), convenience (place) and communication(promotion).

Our focus is on the 4P’S model as it is the well-recognized, and contains the core elements of a good marketing mix.

**Using the 4P’S Marketing Mix Model**

The marketing mix model can be used to help you decide how to take a new offer to market. It can also be used to test your existing marketing strategy. Whether you are considering new or existing offer, follow the steps below, it will help you define and improve your marketing mix.

1. Start by identifying the product or service that you want to analyze.

2. Now go through and answer the 4P’S questions – as define in detail above.

3. Try asking “Why” and “What if” questions too, to challenge your offer for example, ask why your target audience needs a particular feature. What if you drop your price by 5%? What if you offer more colours? What if you wholesalers rather than direct channels? What if you improve PR rather than rely on TV advertising?

*Tip:*

Check through your answers to make sure they are based on sound knowledge and facts. If there are doubts about your assumptions, identify any market research, or facts and figures that you may need to gather.

4. Once you have a well-defined marketing mix, try “testing” the overall offer from the customer’s perspective, by asking customer focused questions.

 i. Does it meet their needs? (Product)

 ii. Will they find it where they shop (place)

 iii. Will they consider it’s priced favorably? (Price)

 iv. And will the marketing communication reach them? (Promotion)

5. Keep on asking questions and making charges to your mix until you are satisfied that you have optimized your marketing mix given the information and facts and figures you have available.

6. Review you marketing mix regularly, as some elements will need to change as the project or service, and its market, grow, mature and adapt in an ever-changing competitive environment.

*Key Points*

The marketing mix helps you define the marketing elements for successfully positioning your market offer.

One of the best known models is the four Ps, which helps you define your marketing options in terms of product, place, price and promotion. Use the model when you are planning a new venture, or evaluating an existing offer, to optimize the impact with your target market.

**Chapter Five - Marketing Segmentation and Planning**

One of the early steps in marketing is to divide the present and potential market on the basis of meaningful characteristics and concentrate promotion, product and pricing efforts on serving the most prominent portions of the market – The Target Market.

An effective market strategy will determine exactly what the market will be an attempt to reach only those markets. The target market is that segment of a total potential market to which the product would be most salable. Target market are define geographically, demographically (age, income, Education, race, nationality, family size, family life cycle, gender, religion, occupation) or psychographically (values, motivations, interests attitudes, desire).

Once target market has been determined, appropriate media are chosen to reach these markets. For example, if tennis players are a target market, advertising in tennis magazines would give comprehensive coverage of this market. This “rifle approach” allows one to zero in exactly on the market of interest. In contrast, a “shotgun approach” would be to advertise in time magazine, which would reach only a small number of the target market and result in large waste circulation.

Market segmentation must be employed the marketing programs if a shotgun approach is to be avoided. Every product can appeal to a multitude of market segments, and market segments can overlap a great deal. The marketing manager must look at market segments and determine which ones offer the most promising potential for his or her services.

**Definition of Marketing Segmentation**

The process of defining and subdividing a large homogenous market into clearly identifiable segments having similar needs wants or demand characteristics. Its objective is to design a marketing mix that precisely matches the expectations of customers in the targeted segments.

Few companies for example are big enough to supply the needs of an entire market; most must breakdown the total demands into segments and choose those that the company is best equipped to handle.

Four Basic Factors that Affect Market Segmentation are;

1. Clear identification of the segment

2. Measurability of its effective size

3. Its accessibility through promotional efforts

4. Its appropriateness to the policies and resources of the company

The Four Basic Market Segmentation Strategies are based on;

1. Behavioural

2. Demographic

3. Psychographic

4. Geographical Differences

**Criteria for Segmentation**

An ideal Market Segment meets all of the following criteria;

- It is possible to measure

- It must be large enough to earn profit

- It must be stable enough that it does not vanish after some time

- It is possible to reach potential customers via the organization’s promotion and distribution channel

- It is internally homogenous, that is potential customers from different segments have different quality preferences

- It is responds consistently to a given market stimulus

- It can be reached by market intervention in a cost effective manners.

- It is useful in deciding on the market mix.

**Method for Segmenting Consumer Markets**

***Geographic Segmentation***

Marketer can segment according to geographic criteria nations, states, regions, countries, cities, neighborhoods or postal codes. The geo-cluster approach combines demographic data with geographic data to create a more accurate or specific profile. With respects to region in vainly regions merchants can sell things like raincoats, umbrellas and gumboots. In hot regions, one can sell warm summer wear. In cold regions, someone can sell warm clothes. A small business commodity store may target only customers from the local neighborhood, while a larger departments store can target its marketing towards several neighborhoods in a larger city or area, while ignoring customers in other continents.

***Behavioural Segmentation***

Behavioural Segmentation divides consumers into groups according to their knowledge of, attitude towards, usage rate or response to a product.

***Segmentation by Occasions***

Segmentation can take place according to benefits sought by the consumer or according to perceived benefits which a product/service may provide

***Using Segmentation in Customer Retention***

The basic approach to retention based segmentation is that a company tags each of its active customers with three values:

- Is this customer at risk of canceling the company’s service? One of the most common indicators of high risk customers is a drop off in usage of the company’s service. For example, in the credit card industry that could be stagnated through a customer decline in spending on his her card.

- Is this customer work retaining? This determination boils down to whether the post retention profit generated from the customer is predicted to be greater than the cost incurred to retain the customer.

- What retention tactics should be used to retain this customer? For customers who are deemed worthy of saving, it is essential for the company to know which save tactics are most likely to be successful. Tactics commonly used range from providing special customer discounts to sending customers communications that reinforce the value proposition of the given service.

**Chapter Six - Marketing Organization**

**Marketing organization**

Marketing organization is the foundation of effective sales planning and sales policies. It enable systematic execution of plans, policies, programs for controlling all sales activities in order to achieve maximum efficiency, profitability without sacrificing the level of customer services and satisfaction.

The need for improved methods of distribution and to keep pace with the expanding production capacity and competition has made sales administration and marketing management one of the most important functions of business.

**Role of marketing in an organization**

The role of marketing in an organization is to please and win the loyal support of their customers. Marketing involves planning, product development, packaging, pricing, distribution, etc. The marketing department has responsibilities such as identifying target markets, identifying the most appropriate strategies, developing new products, creating a sustainable competitive advantage and establishing management information systems to identify progress.

**Key Personnels/Organizations**

***Growth Champion***

This organization is highly valued within the company for its ability to drive revenue. It is considered as important as other major departments, such as finance and sales. It drives the company’s priorities and leads product innovation and new business development.

***Senior Counselor***

Functioning as a high-level advisor on marketing strategy to the chief executive officer and the individual businesses, the senior counselor leads major advertising, promotion, and public relations campaigns’.

***Brand Foreman***

Above all, the brand foreman is an efficient provider of marketing services, ranging from communication strategy to creative output and campaign execution, in support of the company’s key brands. It serves as the central manager of agency relationship, and is considered among the company’s most important support organizations.

***Growth Facilitator***

The growth facilitator has the authority and skills to develop and lead large, company-wide marketing efforts and help as set the business overall priorities. These marketing organization coordinators with other major functions, such as sales and product development.

***Best Practices Advisor***

The best practices advisor work with the individual businesses to identify internal and external best practices and incorporate them into all marketing activities. This organizations goal is helping the businesses achieve maximum effectiveness and efficiency, and it has expertise across all elements of the marketing toolkit.

***Service Provider***

This organization supplies marketing services such as adverting, promotion and public relations at the request of the company’s brand and product teams. The service provider is effective at executing specific task and is responsive to time sensitive requests.

**Types of marketing Organization**

There are four types of marketing organization structure which may be on the basis of function, territory and product basis;

***Functional organization***

It is one of the common forms of organization. All the activities are divided into line and staff functions. For example; under staff function, sales manager, marketing manager, production manager act as specialist and the line functions are given to sales department. The manager most times looks after the work of line and staff functions, and the main drawback of the activities of the company.

***Product oriented or brand management organization***

In this type of organization, the companies producing multiple products have individual manager to look after the product and he develop the strategy related to the product, responsible for the product, do advertising, promotion, distribution only for the product.

***Geographical or market or territory organization***

This type of organization is made in case the company is selling the product worldwide. In this case the people are assigned the job to a particular location, country, region, state, district which depends upon the area. It may be three tier, two tier etc.

***Divisional or complex organization***

Usually big organizations have combination of all the above there types of the organization that’s why such type of organization is called complex organization.

**Types of Organizational Markets**

Organizational markets are markets in which companies and individual purchase goods for purposes other than personal consumption. These markets are characterized by having fewer buyers, but larger purchase volumes, than consumer market do. Their marketing is focused on corporate goals, return on investment and technical suitability, rather than the styles, fads and perceived values found in consumer markets. The main organizational market types are producers, resellers and institutions;

***Producers***

Producers buy raw materials and machinery, often from other producers but sometimes from resellers. Marketing to producers requires technical expertise and knowledge of the producers operations. Typical marketing strategies involve identifying problem in the producers industry or particular operations and proposing solutions that are cost-effective. Producers have a long term view of markets since their needs change slowly. As a result, marketing to producers is usually based on long term relationships.

***Resellers***

Resellers include wholesale companies and retailers, as well as niche suppliers that specialize in particular area where they have expertise. The key factor for marketing to reseller is to be aware of their added-value proposition. If the reseller is a wholesale company offering low prices for high volume, marketers must develop proposal which address the characteristic. If the company buys specialized equipment according to specifications and re-sells it to customers based on high quality and reliability, the marketing will be different

***Institution***

The institutional market includes governments and non profits. Marketing to these organizations is highly specialized, with marketers relying on long term relationships as well as large, one-time opportunities. The purchasing process for governments tends to be highly bureaucratic and a familiarity with government procedures is a prerequisite. Where the idea of value in the other two market segments tends towards the economic, value for these institutions exists more in terms of benefits rather than economic. Marketers must structure proposals keeping this in mind.

**Chapter Seven - Marketing Research and its Application**

It has been said that information is power. This simple cliché underscores the market control and business success that information yields. Marketing research is about collecting information. While it applies to a wide range of situations, marketing research gives decision-makers the information they need to find solutions to business problems, such as the following;

- How satisfied are customers with your product and service offering?

- How will customers react to a decision to change a price or product?

- What are service representatives hearing from customers?

- What responses to competition will bring you success in a given market?

Simply put, the solution to most business problems can be found through marketing research.

**Defining Marketing Research**

Marketing research is the function which links the consumer, customer, and public to the marketer through information – information used to identify and define marketing opportunities and problems; generate, refine and evaluate marketing actions; monitor marketing performance; and improve our understanding of marketing as a process.

Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyzes the results, and communicates the findings and their implications.

This definition may be meaningful to a marketing professional but equally may be difficult for someone studying marketing to understand. The definition is easier to comprehend if the four ways research can be used are explained individually:

1. ‘Identify and define marketing opportunities and problems’ means using research to explore the external environment.

2. ‘Generate, refine and evaluate marketing actions’ means using research to determine whether the company is meeting consumer needs.

3. ‘Monitor marketing performance’ means using research to confirm whether the company is meeting the goals it has set.

4. ‘Understanding marketing as a process’ means using research to learn to market more effectively.

Research that is conducted can be divided into two types. Basic, or pure research, is conducted to discover new knowledge. When the research is planned and conducted, its application or how the knowledge might be used is not of major importance. What is important is that new information is discovered. After the research has been conducted, how the information can be used is then considered. Universities or very large corporations conduct most basic marketing research.

In applied research, the research is planned so that the findings can be used to solve a specific problem. This is the type of research conducted by marketing professionals working either within an organization or for an external marketing research provider. After all, if a business is paying for research to be conducted, it needs results that will show how to solve a problem. Most businesses do not have the time or money to pay for basic research. The box below provides additional information on the differences between basic and applied research.

The important fact to remember about applied research is that the information gathered will be used to assist in making decisions. The decision might be critical and costly, such as which new product to introduce. Or the decision might be of lesser importance, such as what color should be used in a brochure. Whatever the decision, the rationale of all applied marketing research is to help organizations to limit risk, because making mistakes is expensive.

Decisions that carry a great deal of risk, such as new product introduction, will require a great deal of research. In fact a full-scale research project combining more than one research method and a large number of participants may be needed.

Conducting the research will be costly but the expense is acceptable because making the wrong decision will result in a very expensive mistake. A small decision, such as what color to use in a brochure, still needs marketing research to eliminate risk – but the research can be on a much smaller scale because the risk, which here is only the cost of reprinting the brochures, is less.

**Research and Marketing Strategy**

Marketing is a new field of academic study in comparison to subjects such as chemistry or philosophy. However, marketing is not a new human activity. People have always produced goods that they wished to barter or sell for either another needed product or money. To do so they need to find a buyer. The field of marketing simply takes this basic human behavior and plans its strategic implementation.

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. This definition describes marketing as an exchange that satisfies both the seller (organization) and the individual (buyer).

Marketing is sometimes misunderstood as only selling, with the organization convincing the buyer to purchase something they don’t want or need. While selling is an important part of promotion, there would be no long-term gain for any organization to focus only on selling their product. Even if they could use high pressure sales techniques to convince buyers to purchase, business success relies on repeat customers. Such customers would most likely feel manipulated and be unlikely to purchase again. The definition also states that an organization should only provide products that fulfill its goals. Thus the organization has a mission and a strategic plan and marketing exists to help the organization meet both, while at the same time meeting the needs of customers.

Therefore, marketing is much more than just the promotion of a product. The field can be described as a circle with the customer in the middle surrounded by the four ‘Ps’ of promotion, price, product and place. All four of these components of marketing must provide the customer with a wanted or needed product at an acceptable price, in an appropriate place, and with effective promotion. However, to accomplish this goal the organization must first listen to the customer’s wants and needs.

**Stages of marketing development**

Marketing has developed and evolved as social and business conditions have changed. An early approach to marketing was focused only on the production of goods. When consumer goods became more plentiful, the approach changed to selling as a means of convincing consumers to buy. Although these two approaches still exist in some industries, the current recommended approach is the marketing concept that instructs companies to first focus on consumer wants or needs.

Companies using the production concept will emphasize the most efficient way to produce products that provide high quality and low price. When using this approach companies see the marketplace of consumers as a single group with similar needs who will purchase any well made, reasonably priced product.

The problem with this approach today is that people can choose from so many products with high quality and low price. Therefore, consumers also want the products they purchase to provide additional benefits. The production approach does not address this issue. To determine what additional benefits are desired, it is necessary to conduct product research.

The sales concept focuses on using the right sales technique. When companies were able to produce more mass-produced goods then were immediately needed by consumers, they started to focus on how to sell products. A company using this approach will assume that customers will not purchase their product without considerable persuasion. This approach is still used today in certain industries. For example, life insurance is a product that is needed but that consumers do not usually enjoy buying. A salesperson needs considerable skill in sales techniques to overcome this resistance. If the sales concept is used consumer research is still needed to determine which approach will be most successful. Even with research, the sales concept usually does not lead to repeat purchases and therefore is generally not recommended for consumer goods.

The marketing concept starts by taking into consideration what benefits consumer desires, and whether the approach is recommended by most marketing experts. This is recommended because there are now so many products available in the marketplace that only those products that provide consumers with the benefits they desire will be purchased.

The marketing concept, where the needs and desires of the consumer are taken into consideration when the product is designed, is considered the best approach to marketing. However, in order to follow this concept an organization must know what consumers need and desire. In fact marketing research is needed equally by both those businesses that sell tangible goods and those companies that sell intangible services. An example of how a financial institution can use research is given in the box below. Once again, the only way for companies to know what consumers desire is through marketing research. For this reason research can no longer be considered an optional activity which the organization engages in if it has the time and money. If research is not conducted, there is a good possibility that the time and money an organization does have will be wasted.

**Importance of Marketing Research**

1. To make marketing decisions

2. Survive the competition

3. It helps to decide target markets

4. To Maximize Profits

5. Increasing the Sales

**The Development of Marketing Research as a Profession**

At the beginning of the twentieth century there was a growth both in the number of universities and also in the number of academic fields being taught. These new academic subjects, including psychology and sociology, were interested in applying scientific methods to social problems in ways that would help to explain human behaviour. However, this interest in applying scientific methods did not apply to purchase behavior and there is, as yet, no academic area of study called ‘marketing’ or ‘marketing research’.

Yet during the same time span in the business world, marketing research became a recognized professional field. Throughout this period of economic history businesses were starting to grow from small local or regional companies to larger national companies. Since they were now selling their products over a wider geographic area it became more difficult for companies to identify and understand their customers.

Such an early marketing problem was faced by auto manufactures. Once people who had the desire and money to purchase cars had done so, the manufacturers needed to know how to use advertising to reach additional consumers.

As a result, the research method of surveying was borrowed from the social sciences. However, early research survey studies confronted the key problem of identifying the appropriate consumers to include as participants.

So once again researchers turned to scientific method and researchers adopted sampling to identify the appropriate consumers to include in studies. This new method was useful when the potential consumer group was large in number, which was indeed the case for auto manufacturers.

However, the research conducted was limited to focusing on finding customers for existing products rather than finding out about the consumer desire to improve products.

Market researchers soon discovered that besides surveying and sampling, they could also borrow additional techniques from the social sciences. In 1931 a manual for marketers, Marketing Research Technique, described not only how to use surveys but also discussed interviewing and focus groups as ways of conducting marketing research. Because of the successful use of these new techniques, interest in marketing research continued to grow during the 1930s.

After the end of World War II, there was a pent-up demand from people for the consumer goods they could not purchase during the war years. However, once production caught up with demand, companies realized their need to learn sales techniques. When such sales techniques did not sell enough products, they then tried to find additional customers and so started to focus on meeting consumer desires for products. Marketing research was now needed to determine these desires and specialized marketing firms developed to provide marketing research services to companies. As a result, universities started to teach marketing research as an academic field to provide the necessary professionals.

Academic research continues to play a role in the development of marketing science to solve management problems. In fact as marketing, including marketing research, is becoming more common in emerging markets, academic researchers have proposed new models that will help businesses gain needed information.

**Chapter Eight - Determinants of Consumer Behaviour**

**Definition of Consumer Behaviour**

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 and Economics. 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 behavioral 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.

Customer behavior study is based on consumer buying behavior, 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.

**Different Types of Consumers’ Behaviour**

The different types of consumer behaviour determine how consumers make purchasing decisions. Though there are many influences on buyer behaviour, four main categories are often cited as the primary factors in a purchasing decision. The four major types of consumer behavior are habitual, variety, complex, and dissonance-reduction. Each of the different types of consumer behaviour may be motivated by a variety of influences, including need, cultural influence, and psychological factors.

***Habitual buying*** habits are the most common and the simplest purchasing decisions for most consumers. Choosing to buy a bunch of bananas rarely requires much extensive research on brands and product offering, and may be done on a regular or habitual basis. Since a bunch of bananas from one brand is likely to be quite similar to one from another brand, there is not a high level of distinction between product choices. Habitual buying behaviour is most often found with low-cost products for which a consumer has a regular need; price, convenience, and brand loyalty may sometimes affect habitual purchasing decisions.

***Varietal buying***, also called limited decision making, involves a little more thought than habitual behaviour. This type of behaviour also requires little research on the part of the buyer, but may exist in markets where there is a high level of product variety. When buying ice cream, for instance, a consumer may have to choose between a hundred different flavors, often from different brands. Varietal buying is frequently motivated by the desire for a change from habits, or the search for a better product.

***Complex*** or extensive decision making behaviour requires research and significant difference exist between products.

***Dissonance-reduction*** decisions, by contrast, also may require research, but occur in markets where there is little difference between products. Both of the categories tend to apply to markets where products are high value and irregular purchases, such as houses or jewelry. Buying a car is often a complex decision, because there are many different brands and models that offer distinct features. Buying a one-carat pair of diamond earrings, however, might be a dissonance-reduction decisions, since most one-carat earrings will be roughly similar, regardless of brand.

The motivating factors behind the different types of consumer behavior can be extremely complex. Need typically motivates most habitual purchases, such as food and gasoline. Cultural or social influence may affect decisions by giving a consumer a set frame of reference by which purchases are judged; for instance, a person may buy a certain style of jacket because it is said to be “in style” for the season. Personal and psychological attitudes or preconceptions may significantly alter some types of consumer behaviour: a person who is against pesticides will likely buy only organic produce, for instance, there are such pesticides as raids, bagon, etc, individual consumers may buy based on odor or other types of reason.

**Individual determinants of consumer behaviour**

There are five major groups of individual determinants: personality and self concept, motivation and involvement, information processing, learning and memory, and, attitudes and can be further explain as follows:

***Personality and self concept*** provide the consumer with a central theme. That is, they provide structure for the individual so that a consistent pattern of behavior can be developed. Several major personality theories are examined for their usefulness in understanding consumers. How the self concept develops, its role in influencing purchase decisions and the practical relevance of the subject to the marketer are reviewed.

***Motives*** are internal factors that energize behavior and provide guidance to direct the activated behavior.

***Involvement*** describes the personal relevance or importance that the consumers perceives in a given purchase situation. High involvement will lead to a motivated state. Various types of involvement and motive situation factors that influence them, and their influence on the behavior of consumer

The term ***Information Processing*** refers to the activities that consumers engage in when acquiring integrating and evaluating information. These activities involve actively seeking information or passively receiving it, attending to only certain parts of the information, integrating that which has been attended to with information from other sources, and evaluating the information for the purposes of making decisions. Such activities are varied and occur at all stages of the decision process. They also strongly involve some individual factors, including motivation, learning and attitudes. Information processing, introduces these issues and also discuss several marketing strategy areas in which an understanding of the progress can be of considerable benefit to the marketer. However, because of their importance, treatment of these issues is not within the scope of this unit.

***Learning and Memory*** -What consumers learn, how they learn, and what factors govern the retention of learned material in memory are all issues of considerable importance for understanding consumers. Not only do consumers acquire and remember product names and characteristics, but they also learn standards for judging products, places to shop, problem solving abilities, behaviour patterns, and tastes. Such learned material stored in memory significantly influences how consumers react to each situation that they confront.

***Attitudes*** guide our basic orientation toward objects, people, events, and our activities. As such, attitudes strongly influence how consumers will act and react to products and services, and how they will respond to communications that marketers develop to convince them to purchase their products. After a review of the nature and function of attitudes, attention is turned to how attitudes are formed and how they are related to purchase behavior.

***Politics and Religion as determinants of consumer behaviour***

The political environment can play a large part in consumer decision-making. For instance, in the aftermath of the terrorist attacks on September 11, 2001, sales of American flags and products with patriotic messages soared. Also, in Nigeria of today, broom has suddenly become very expensive in major south-western States due to Action Congress of Nigeria (CAN), a political party that is widely accepted by them. Consumer tastes can also be modified by the important political topic of the day.

Additionally, a person's religious beliefs can be a huge factor in his decision-making process. The Catholic Church bans members from seeing certain movies or reading certain books, while atheists are probably less likely to buy a self-improvement book steeped in spirituality. Understanding your consumers is a challenge, but necessary for improving your business and every organizational products.

***Culture and Society as determinants of consumer behaviour***

Culture is the values, beliefs, preferences and taste transfer from one generation to the next generation. Besides that, the subculture is a group with their own distinct modes of behaviour. As culture shifts its perception on certain topics, consumers follow. This can be good or bad for business, depending on what you sell. When movie stars and commercials glorified smoking as a way to look cool, cigarette sales surged. Now that more people are aware of the risks of smoking and society looks down on smokers, less people are smoking. Spotting culture shifts is an important skill in protecting your business, especially if you sell goods like clothing or entertainment products.

**Chapter 10 - Product Decisions, Planning and Development**

The idea of the marketing mix, otherwise known as the 4P’S was popularized by McCarthy (1996). Marketing mix is a set of controllable variables that a marketer blends together to elicit the cherished response from the target market These controllable variables includes; Product, Price, Place and Promotion.

**What is a Product?**

A product can be seen as anything that is offered for acquisition, use and disposal, and that satisfies the needs of the target market.

The term product is broad and covers both physical goods and the intangible goods. Physical products include such items as vehicles, mobile handsets, processed food items and equipments, while intangible products like haircuts, financial services, accounting service and the hospitality industry. Products can also be seen in terms of functional, social and psychological utilities and benefits’.

It has argued that products need to be seen in terms of the benefits they provide rather than the function they perform. Marketers need to be aware that every product has both objective and subjective elements. Competitors, in no time copy such objective elements as physical specification and price. On the other hand, subjective elements like image and reputation are generally more difficult to copy and , in many markets , provide the most effective basis for differentiation.

**Levels of Products**

Levitt(1980) suggested that the marketer , in planning his market offering , needs to think through the following five levels of the product: core benefit, basic product , expected product, augmented product and the potential. Each level adds more customer value, and constitutes a customer value hierarchy.

***Core benefit***

This is the fundamental service or benefit that the customer is really buying. For instance, a detergent buyer is buying cleanliness.

***Basic Product***

A marketer needs to convert the core benefit into a basic product. The product of petroleum jelly should be made in a substance that makes it possible to achieve the desired effect especially in the harmattan period.

***Expected Product***

This set of attributes and conditions buyers normally expect when they purchase a product. A buyer of detergent expects that it should be well packaged, reasonably priced and widely available.

***Augmented Product***

This is the improvement on the product that makes it possible for customers’ expectations to be augmented.

An example, a petroleum jelly that is meant to retain oil moisture especially during the harmattan period, in addition to body beautification represents an argumentation of the core product. Levitt cautions that the new competition is not between what companies produce in their factories but in the form of packaging , services and financing.

***Potential Product***

This encompasses all the possible argumentations and transformations a product might undergo in the future. Here, companies search for new ways to satisfy customers and distinguish their offers.

**Classification of Products**

Products fall into one of two general categories; products purchased to satisfy personal and family needs are **CONSUMER** products. Those bought to use in a firms operation to resell, or to make other products are **BUSINESS** products. Consumer buy products to satisfy the goals of their organizations Products classification are important because they may influence pricing, distribution and promotion decisions.

**Consumer Products**

The most widely accepted approach to classify consumer products is based on characteristics of consumer buying behaviour. It divides products into four categories; convenience, shopping, specialty, and unsought products. However, not all buyers behave in the same way when purchasing a specific type of product. Thus a single product can fit into several categories. To minimize this problem, marketers think in terms of how buyers generally behave when purchasing a specific item. Examining the four traditional categories of consumer products can provide further insight.

**1.** ***Convenience Goods***

This type of products are relatively inexpensive, frequently purchased items for which buyers exert only minimal purchasing effort. They range from bread, soft drinks and chewing gum to gasoline and newspapers. The buyer spends little time planning the purchase or comparing available brands or sellers. Even a buyer who prefers a specific brand will readily choose a substitute if the preferred brand is not conveniently available A convenience product is normally marketed through many retail outlets. Because sellers experience high inventory turnover, per unit gross margins can be relatively low. Producers of convenient products expect little promotional effort at the retail level and thus must provide it themselves with advertising and sales promotion. Packaging is also important , because many convenience goods are available only on a self -service basis at the retail level , and thus the package plays a major role in selling the product.

**2.** ***Shopping Products***

Shopping products are items which buyers are willing to expend considerable effort in planning and making the purchase. Buyers spend much time comparing scores and brands with respect to prices , product features , qualities , services and perhaps warranty .These products are expected to last for a fairly long time and thus are purchased less frequently than convenience items. Even though shopping products are more expensive than convenience products, few buyers of shopping products are particularly brand loyal.

If they were, they would be unwilling to shop and compare among brands. Shopping products are purchased less frequently, inventory turnover is lower and marketing channel members expect to receive higher gross margins. In certain situations, both shopping products and convenience products may be marketed in the same location.

**3. *Specialty Products***

These type of products possess one or more unique characteristics , and generally buyers are willing to expend considerable effort to obtain them. Buyers actually plan the purchase of a specialty product ; they know actually what they want and will not accept a substitute When searching for specialty products ,buyers do not compare alternatives. They are concerned primarily with finding an outlet that has the pre selected product available.

Like shopping products, they are purchased infrequently, causing lower inventory turnover and thus requiring relatively high gross margins.

**4. *Unsought Products***

These types of products are purchased when sudden problem must be solved, products of which customers are unaware, and products that people do not necessarily think of purchasing. Emergency medical services and automobile parts are the typical examples.

**Business Products**

Business products are usually purchased on the basis of an organizations goals and objectives. Generally, the functional aspects of the product are more important than the psychological rewards sometimes associated with consumer products. Business products can be classified into seven(7) categories according to their characteristics and intended uses; installations; accessory equipments; raw materials; maintenance, component parts; process materials; repairs and operating supplies ; and business services.

**1. *Installations***

These include facilities, such as office buildings, factories and warehouses, and major equipment that are non portable, such as production lines and very large machines. Normally, installations are expensive and typically involve a long term investment of capital, purchase decisions often are made from high level management. Marketers of installations frequently must provide a variety of services , including training, repairs, maintenance assistance , and even aid in financing such purchases.

**2. *Accessory Equipments***

These types of equipments does not become part of the final product but is used in production or office activities. Examples include the file cabinets, fractional –horse power motors, calculators or office activities. Compared with major equipments , accessory items usually are much cheaper, purchased routinely with less negotiation , and treated as expense items rather than capital items because they are not expected to last as long as . More orders are required for distributing accessory equipment than for installations , but sellers do not have to provide the multitude of services expected of installations marketers.

**3. *Raw Materials***

Raw materials are the basic natural materials that are actually become part of a physical product. These include minerals, chemicals, agricultural products, and materials from forests and oceans.

**4. *Component Parts***

These items become part of the physical product and are either finished items ready for assembly or products that need little processing before assembly. Although they become part of a larger product, component often can be identified and distinguished easily. Buyers purchase such items according to their own specifications or industry standards. They expect the parts to be of specified quality and delivered on time so that production is not allowed or stopped. Producers that are primarily assemblers, such as most lawn mowers and computer manufacturing depend heavily on suppliers of component parts.

**5. *Process Materials***

Process materials are used directly in the production of other products. Unlike component parts, however, process materials are not readily identifiable. Example, salad dressing manufacturer that includes vinegar in its salad dressing. The vinegar is a process material because it is included in the salad dressing, but it is not identifiable. As with components parts, process materials are purchased according to industry standards or the purchaser’s specifications.

**6. *MRO Supplies***

MRO Supplies are maintenance, repair and operating items that facilitate production and operations but do not become part of the finished products. Examples includes papers, pencils ,oils , cleaning agents and paints.MRO supplies are commonly sold through numerous outlets and are purchased routinely . To ensure supplies are available when needed, buyers often deal with more than one’s seller.

**7. *Business Services***

The last but not the least are the business services which are intangible products that many organizations use in their operations. They include financial, legal, marketing research and information technology .Firms must decide whether to provide their own services internally or obtain them from outside the organization. This decision depends on the costs associated with each alternative and how frequently the services are needed. An example is the delivery services.

**Chapter 11-Product Life Cycle and New Product Development**

Most products have limited profitable life. Product life cycle gives the complete picture of what happens from a time a new product is introduced until it declines.

Product development involves careful planning and implementation. Sometimes revive declining products by modification or else they follow several steps ranging from identification of market opportunity to launching of new products . The greater the competitiveness of the markets, the greater the need for product development.

**The Product Life Cycle Concept**

A company which introduces a new product naturally hopes that the product will contribute to the profits and provide consumer satisfaction. This however, does not always happen in practice. So progressive organizations try to remain aware of what is happening throughout the life of the product in terms of the sales and the resultant profits.

***The Introductory Stage***

Since the product has just been introduced, it is natural to expect that it will take some time before the sales pick up.

There are some prerequisite for that too. The product must be brought to the notice of the customer. It must be available at the distribution at the distribution outlets and all this takes some time.

***The Growth Stage***

In case the product launched is successful, the sales must start picking up or rise more rapidly. The next stage is then reached which is known as the ‘growth’. Here, the sales would climb up fast and profit picture will also improve considerably. This is because the cost of distribution and promotion is now spread over a larger volume of sales. As the volume of production is increased, the manufacturing cost per unit tends to decline. Thus, from the point of view of product strategy, this is a very critical stage.

***The Maturity Stage***

It is too optimistic to think that sales will keep shooting up. At this stage, it is more likely that the competitors become more active. In case your product is a novel one , by now competitors will come out with a similar product in the market to compete with yours. Therefore, the sales are likely to be pushed downwards by the competitors while your promotional efforts would have to be increased to try and sustain the sales Thus , the sales reaches a plateau. This is called the ‘maturity stage’ or ‘saturation’. At this point, it is difficult to push sales up. With regard to the ‘profit ‘picture., the profits are likely to stabilize or start declining as more promotional effort has to be made now in order to meet competition. Unless, of course, an organization has the largest market share with your product and it needs no extra push in the market.

***The Decline Or Obsolesce Stage***

Thereafter, the sales are likely to decline and the product could reach the obsolesce stage. Steps should be taken to prevent this obsolesce and avoid the decline. This decline that generally follows would be due to several reasons such as consumer changes and taste, improvement in technology and the introduction of better substitutes. This is the stage where the profits drop rapidly and ultimately, the last stage emerges. Retaining such profit after this stage may be risky, and certainly not profitable to the organisation.

**Marketing Mix at Different Stages**

At the introductory stage, the organization has to increase and thus spend a lot on physical distribution and promotion. This is because the organization has to increase awareness and acceptance of the product. The organisation must also increase its availability. Very often it is noticed that a product is advertised but it is not available at the distribution outlets. This constitutes a waste of promotional resources of the organization. Thus, distribution should be arranged before the product is launched.

In any case, in these two areas, substantial amounts would have to be spent. The reluctance of customers to change their established patterns, and make them purchase the product particularly if it is of a novel nature. As against this, if it is novel one, people may even buy it out of sheer curiosity.

Next is the growth stage , when the sales shoot up and the organization is satisfied with the profit generated by the product ; competitors will now enter the market and perhaps offer new product features . Therefore the organization must begin to think of how the product can be improved upon. The promotional expenditure is maintained at the same level or is raised slightly in order to meet competition.

Then comes the maturity stage. This stage is generally lasts longer than the other stages and poses problems for the management in maintaining the sales level. Actually , there is a slowdown in the growth rate of sales in case of such mature products . The decline can be arrested by improvements in the product and promotion.

Finally, the declining stage catches up. The decline may be slow or rapid. It may be due to better substitute products, better competition, technological advances with which the organization has not kept up and several other reasons. Such a product now proves expensive for the organization. Such a product now proves expensive for the organization. One must, therefore be willing to consider the elimination of such marginal or unprofitable products. Eventually the last weapon is to reduce the price. This is dangerous because this is a very crucial time when extra

promotional effort is required to be put in to prop up the product sales. Reducing the price may soon land the company in a loss situation.

**Options in the Decline Stage**

Having considered the product life cycle and the inevitability of [product decline , the question which comes to one’s mind is what should be done to avoid or postpone this decline. Consider some of the following points to avoid ***DECLINE***.

1. Improve product quality

2. Add new product features resulting in extra benefits

3. Penetrate new market

4. Give incentives to distribution channels

5. Expand the number of your distribution channels

6. Improve advertising and sales effort

Here innovation is the lifeblood of marketing. Innovation can be in any of the 4p’s of marketing. In connection with the product, it would mean quality improvement or improvement in features. Ultimately, a time may come when the product will have to be removed.

**New Product Development Strategy**

Many products fail, and in order to keep expanding company sales, there is need for a new product. These stages are; ideas generation, screening of ideas, concept testing, product designing and evaluation, product testing and product launching.

***Generation of New Product Ideas***

The first step obviously is to get ideas with regard to possible new products. As marketing is aimed at satisfaction of consumer needs, an alert marketer can get some ideas from the customers for possible new products by keeping his eyes and ears open and more particularly the mind to perceive even needs which are so far unexpressed . Thus new ideas can come from the customer needs or problems.

***Evaluation or Screening Of The Ideas***

This stage deals with the screening of the several ideas now available. This is known as the evaluation or screening of ideas process. Here the ideas must be consistent with the company’s philosophy, objectives and strategies and be in terms of the resources available to the organization.

**Product Concept Development and Evaluation**

Particularly when the product idea is rather revolutionary, the concept itself must be tested and this must be done in the environment in which the product is sought to be introduced.

**Product Designing and Evaluation**

If the product idea or the concept passes the test then the organization proceeds to production stage. Here prototypes are developed and tested. The test can be done under a laboratory or field conditions. At this stage of the product development, the technical problems if any must be solved. This is because the product must not suffer from complaints regarding quality in use. Here even a small defect might shorten the life cycle of the product as well as spoil the company’s image.

**Product Testing**

Here a market test should therefore be conducted before launching the product .This will help to find out about the product quality and whether the product can be launched successfully on a commercial scale or not.

**Launching the New Product**

The test marketing can consists of organizing a sales fair.

It may show that the sales are excellent, in which case the decision of the organization is easy and can now proceed for the product launch. As against this, if it shows that the sales are poor, the product launch can be stopped and product dropped.

**Chapter 12 - Branding and Packaging Decisions**

Perhaps, the most distinctive skill of professional marketers is their ability to create, maintain, enhance, and protect brands. Branding has become a marketing priority. Successful brands command a price premium and elicit much loyalty. Marketers of successful 21st Century brands must excel at the strategic brand management process, which involves the design and implementation of marketing activities and programmes to build, measure, and manage brands to maximize their value. The strategic brand management process involves four main steps:

- Identifying and establishing brand positioning

- Planning and implementing brand marketing

- Measuring and interpreting brand performance

- Growing and sustaining brand value

**Branding and Brand Equity**

The American Marketing Association defines a brand as “a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.” A brand is, thus, a product or service that adds dimensions that differentiate it in some way from other products services designed to satisfy the same need. These differences may be functional, rational, or tangible – related to product performance of the brand. They may also be more symbolic, emotional or intangible – related to what the brand represents.

Branding has been around for centuries as a means to distinguish the goods of one product from those of another. The earliest signs of branding in Europe were the medieval guild’s requirement that craftsmen put trademarks on their products to protect themselves and consumers against inferior quality. In the fine arts, branding began with artists signing their works.

**Explanation of Relevant Terms**

The following relevant terms have to be explained:

***Brand*** – word, mark, symbol, device or combination thereof, used to identify the product.

***Brand name*** – word, letter, group of words or letters comprising a name to identify the product and to identify the seller.

***Brand mark*** – symbol for identification (mark, design, logo, type, colouring scheme, picture or combination thereof).

***Trademark*** – the legalized version of the brand, to protect it from being used by others.

**The Role of Brands**

Brands today play a number of important roles that improve consumers’ lives and enhance the financial value of firms. Brands identify the source or maker of a product and allow consumers – either individuals or organizations – to assign responsibility to a particular manufacturer or distributor. Consumers may evaluate the identical product differently depending on how it is branded. Consumers learn about brands through past experiences with the product and its marketing programme. They find out which brands satisfy their needs and which ones do not. As consumers’ lives become more complicated, rushed, and time-starved, the ability of the brand to simplify decision making and reduce risk is invaluable.

Brands also perform valuable functions for firms. First, they simplify product handling or tracing. Brands help to organize inventory and accounting records. A brand also offers the firm legal protection for unique features or aspects of the product. The brand name can be protected through registered trademarks; manufacturing processes can be protected through patents; and packaging can be protected through copyrights and designs. These intellectual property rights ensure that the firm can safely invest in the brand and reap the benefits of a valuable asset.

Brands can signal a certain level of quality so that satisfied buyers can easily choose the product again. Brand loyalty provides predictability and security of demand for the firm and creates barriers to entry that make it difficult for other firms to enter the market. Loyalty can also translate into a willingness to pay a higher price. Although competitors may easily duplicate manufacturing processes and product designs, they cannot easily match lasting impressions in the minds of individuals and organizations from years of marketing activity and product experience. In this sense, branding can be seen as a powerful means to secure a competitive advantage.

**The Scope of Branding**

Although firms provide the impetus to brand creation through marketing programmes and other activities, ultimately a brand is something that resides in the minds of customers. A brand is a perceptual entity that is rooted in reality but reflects the perceptions and perhaps even the idiosyncrasies of consumers.

Branding is endowing products and services with the power of a brand. Branding is all about creating differences. To brand a product, it is necessary to teach consumers ‘who’ the product is – by giving it a name and using other brand elements to help identify it – as well as ‘what’ the product does and ‘why’ consumers should care. Branding involves creating mental structures and helping consumers organize their knowledge about products and services in a way that clarifies their decision making and, in the process, provides value for the firm.

For branding strategies to be successful and brand value to be created, consumers must be convinced that there are meaningful differences among brands in the product or service category. The key to branding is that consumers must not think that all brands in the category are the same.

**Defining Brand Equity**

According to Kotler & Keller (2006), brand equity is the added value endowed to products and services. This value may be reflected in how consumers think, feel, and act with respect to the brand, as well as the prices, market share, and profitability that the brand commands for the firm. Brand equity is an important intangible asset that has psychological and financial value to the firm.

Marketers and researchers use various perspectives to study brand equity. Customer-based approaches view brand equity from the perspectives of the consumer. The premise of customer-based brand equity models is that the power of a brand lies in what customers have seen, read, heard, learned, thought, and felt about the brand overtime. In other words, the power of a brand lies in the minds of existing or potential consumers and what they have experienced directly and indirectly about the brand.

Customer-based brand equity can be defined as the differential effect that brand knowledge has on consumer response to the marketing of that brand. A brand is said to have positive customer-based brand equity when consumers react more favorably to a product and the way it is marketed when the brand is identified as compared to when it is not. A brand is said to have negative customer-based brand equity if consumers react less favorably to marketing activity for the brand under the same circumstances.

There are three key ingredients to this definition

1. Brand equity arises from differences in consumer response. If no differences occur, then the brand name product can essentially be classified as a commodity or generic version of the product. Competition would then probably be based on price.

2. These differences in response are a result of consumer’s knowledge about the brand. Brand knowledge consists of all the thoughts, feelings, images, experiences, beliefs, and so on that become associated with the brand. In particular, brands must create strong, favourable, and unique brand associations with customers.

3. The differential response by consumers that makes up the brand equity is reflected in perceptions, preferences, and behaviour related to all aspects of the marketing of the brand.

Therefore, the challenge for marketers in building a strong brand is ensuring that customers have the right type of experiences with products and services and their marketing programmes to create the desired brand knowledge structures for the brand.

**Building, Measuring, and Managing Brand Equity**

Marketers build brand equity by creating the right brand knowledge structures with the right consumers. This process depends on all brand-related contacts – whether marketer-initiated or not. From a marketing management perspective, however, there are three main sets of brand equity drivers:

1. The initial choices for the brand elements or identities making up the brand (e.g., brand names, URLs, logos, symbols, characters, spokespeople, slogans, jingles, packages, and signage).

2. The product and service and all accompanying marketing activities and supporting marketing programmes.

3. Other associations indirectly transferred to the brand by linking it to some other entity (e.g., person, place, or thing).

Given that the power of the brand resides in the minds of consumers and how it changes their response to marketing, there are two basic approaches to measuring brand equity. An indirect approach assesses potential sources of brand equity by identifying and tracking consumer brand knowledge structures. A direct approach assesses the actual impact of brand knowledge on consumer response to different aspects of the marketing.

The two general approaches are complementary, and marketers can employ both. In other words, for brand equity to perform a useful strategic function and guide marketing decisions, it is important for marketers to fully understand the sources of brand equity and they affect outcomes of interest, as well as how these sources and outcomes change, if at all, over time. Brand audits are important for the former; brand tracking is important for the latter.

Effective brand management requires a long-term view of marketing decisions. Because consumer responses to marketing activity depends on what they know and remember about a brand, short-term marketing actions, by changing brand knowledge, necessarily increase or decrease the success of future marketing actions. Additionally, a long-term view results in proactive strategies designed to maintain and enhance customer-based brand equity over time in the face of external changes in the marketing environment and internal changes in a firm’s marketing goals and programmes.

**The Benefits of Brands**

Brands generate value for companies in four ways:

1. Strong brands usually obtain price premiums from either consumers or resellers.

2. Strong brands obtain higher market shares.

3. Successful brands generate more stable and less risky earning streams because of customer loyalty.

4. Successful brands offer avenues for further growth.

Let us equally highlight the importance of branding. Branding is important because:

- The company selling the product is known;

- Consumers are confident of a certain level of quality;

- Product identification is easier;

- A quality brand may command a higher price;

- A brand image can be created through advertising;

- Segments can be targeted by a company with different brands;

- Many feel less risk in buying brand-name products;

- Retailers prefer to stock well-known, top-selling brands;

- A brand may be added to new products.

**Packaging**

Distinctive or unique packaging is one method of differentiating a relatively homogeneous product. To illustrate, shelf-stable microwave dinners, and different sizes and designs of tissue packages are attempts to differentiate a product through packaging changes and to satisfy consumer needs at the same time. In other cases, packaging changes have succeeded in creating new attributes of value in a brand. Also, packaging changes can make products urgently salable to a targeted segment.

The basic functions of packaging are:

- Containment and protection of the product;

- Communication of the image, ingredients and direction;

- The ability for use and re-storing of the product;

- Convenient for channel members to stock and display;

- To provide a promotional tool.

There are innovations in packaging. Throughout the world, many products are identified by a unique Universal Product Code (UPC). Universal product bar codes were originally created to help grocery stores speed-up the check-out process and keep better track of inventory, but the system quickly spread to all other retail products because it was so useful. UPCs originate with a company called Uniform Code Council (UCC). The manufacturer pays an annual fee for the privilege. In return, the UCC issues the manufacturer a 6-digit manufacturer identification number and provides guidelines on how to use it. You can see the manufacturer identification number in any standard 12-digit UPC code.

Another innovation throughout the world is the ‘Tetra Pak’. The tenet of Dr. Ruben Rausing, the father of Tetra Pak, was that “a package should save more than it costs.”

Market managers must consider both the consumer and costs in making packaging decisions. On one hand, the package must be capable of protecting the product through the channel of distribution to the consumer. In addition, it is desirable for packages to have a convenient size and be easy to open for the consumer. The marketing manager must determine the optimum protection, convenience, positioning, and promotional strengths of packages, subject to cost constraints.

**Decisions In Developing A Branding Strategy**

A branding strategy for a firm reflects the number and nature of common and distinctive brand elements applied to the different products sold by the firm. In other words, devising a branding strategy involves deciding the nature of new and existing brand elements to be applied to new and existing products.

The decision as to how to brand new products is especially critical. When a firm introduces a new product, it has three main choices:

- It can develop new brand elements for the new product;

- It can apply some of the existing brand elements;

- It can use a combination of new and existing brand elements.

When a firm uses an established brand to introduce a new product, it is called a brand extension. When a new brand is combined with an existing brand, the brand extension can also be called a sub-brand. An existing brand that gives birth to a brand extension is referred to as the parent brand. If the parent brand is already associated with multiple products, through brand extensions, then it may also be called a family brand.

The first branding strategy decision is whether to develop a brand name for a product. Assuming a firm decides to brand its products or services, it must then choose which brand names to use. Four general strategies are often used:

- Individual names

- Blanket family names

- Separate family names for all products

- Corporate name combined with individual product names

**Chapter 13 - Pricing Policies and Practices**

One of the most important and complex decisions a firm has to make relates to pricing its products or services. If consumers perceive a price to be too high, they may not buy the company’s products, instead they may buy other company’s products or close substitute products, thereby leading to loss of sales and profits for the firm. On the other hand, if prices are too low, sales might increase, but profitability may suffer. It therefore follows that pricing decisions must be given careful consideration when a firm is introducing a new product or planning a short or long term price change.

Pricing policies and practices may be defined as the set of standard procedures used by a firm to set its wholesale or retail prices for its products or services. It refers to the method of decision making that is used to set prices for a company’s goods or services. The policy assists in determining prices based on various social and economic factors such as cost of production. It also relies on provision with a margin for profit.

**Factors That Influence Pricing Decisions**

A number of factors influence pricing decisions. These factors are Demand, supply, and environmental influences.

**Demand Influences on Pricing Decisions**

Demand Influences on pricing decisions concern primary the nature of target market and expected reactions of consumers to a given price or change in price. There are three primary considerations here, demographic factors, psychological factors, and price elasticity.

***Demographic factors***

In the initial selection of the target market that a firm intends to serve, a number of demographic factors are usually considered. Demographic factors that are particularly important for pricing decisions include the following:

1. Number of potential buyers

2. Location of potential buyers

3. Position of potential buyers (organizational buyers or final consumers)

4. Expected consumption rates of potential buyers

5. Economic strength of potential buyers.

These factors help determine market potential and are useful for estimating expected sales at various price levels.

***Price Elasticity***

Both demographical and psychological factors affect price elasticity. Price elasticity is a measure of consumers’ price sensitivity, which is estimated by dividing relative changes in quantity sold by the relative changes in price:

e=Percent change in quantity / Percent change in price

Although price elasticity is difficult to measure, two basic methods are commonly used to estimate it . First, price elasticity can be estimated from historical data or from price/ quantity data across different sales districts. Second, price elasticity can be estimated by sampling a group of consumers from the target market and polling them concerning various price/quality relationships.

**Supply Influences on Pricing Decisions**

Supply influences on pricing decisions can be discussed in terms of three basic factors. These factors relate to the objectives, costs, and nature of the product.

***Pricing Objectives***

Pricing objectives should be derived from overall marketing objectives, which in turn should be derived from corporate objectives. Since it is traditionally assumed that business firms operate to maximize profits in the long run, it is often thought that the basic pricing objective is solely concerned with long-run profits. However, the profit maximization norm does not provide the operating marketing manager with a single, unequivocal guideline for selecting prices. In addition, the marketing manager does not have perfect cost, revenue, and market information to be able to evaluate whether or not this objective is being reached.

In practice, then, many other objectives are employed as guidelines for pricing decisions. In some cases, these objectives may be considered as operational approaches to achieve long-run profit maximization.

Research has found that the most common pricing objectives are;

1. Pricing to achieve a target return on investment

2. Stabilization of price and margin

3. Pricing to achieve a target market share

4. Pricing to meet or prevent competition

***Cost Considerations in Pricing***

The price of a product usually must cover costs of production, promotion, and distribution, plus a profit, for the offering to be of value to the firm. In addition, when products are priced on the basis of costs plus a fair profit, there is an implicit assumption that this sum represents the economic value of the product in the marketplace.

Cost-oriented pricing is the most common approach in practice. There are at least three basic variations: markup pricing, cost-plus pricing, and rate-of-return pricing.

Markup pricing is commonly used in retailing: A percentage is added to the retailer's invoice price to determine the final selling price.

Closely related to markup pricing is cost-plus pricing, in which the costs of producing a product or completing a project are totaled and a profit amount or percentage is added on. Cost-plus pricing is most often used to describe the pricing of jobs that are non routine and difficult to "cost" in advance, such as construction and military weapon development.

Rate-of-return or target pricing is commonly used by manufacturers. The price is determined by adding a desired rate of return on investment to total ally, a break-even analysis is performed for expected production and sales level of return is added on. For example, suppose a firm estimated production and sales to be 75,000 units at a total cost of N300,000. If the firm desired a before-tax return of 20 percent, the selling price would be (300,000 + 0.20 )< 300,000) + 75,000 = N4.80 per unit.

Cost-oriented approaches to pricing have the advantage of simplicity, and many practitioners believe that they generally yield a good price decision.

However, such approaches have been criticized for two basic reasons. First, cost approaches give little or no consideration to demand factors. For example, the price determined by markup or cost-plus methods has no necessary relationship to what people will be willing to pay for the product. In the case of rate-of-return pricing, little emphasis is placed on estimating sales volume. Even if it were, rate-of-return pricing involves circular reasoning, since unit cost depends on sales volume but sales volume depends on selling price. Second, cost approaches fail to reflect competition adequately. Only in industries where all firms use this approach and have similar costs and markups can this approach yield similar prices and minimize price competition. Thus, in many industries, cost-oriented pricing could lead to severe price competition, which could eliminate smaller firms. Therefore, although costs are a highly important consideration in price decisions, numerous other factors need to be examined.

***Product Considerations in Pricing***

Although numerous product characteristics can affect pricing, three of the most important are;

1. Perishability

2. Distinctiveness

3. Stage in the product life cycle

***Perishability:*** Some products, such as fresh meat, bakery goods, and some raw materials are physically perishable and must be priced to sell before they spoil. Typically, this involves discounting the products as they approach being no longer fit for sale. Products can also be perishable in the sense that demand for them is confined to a specific time period. For example, high fashion and fad products lose most of their value when they go out of style and marketers have the difficult task of forecasting demand at specific prices and judging the time period of customer interest. While the time period of interest for other seasonal products, such as rain coats or Christmas trees, is easier to estimate, marketers must still determine the appropriate price and discount structure to maximize profits and avoid inventory losses.

***Distinctiveness:*** Marketers try to distinguish their products from those of competitors and if successful, can often charge higher prices for them. While such things as styling, features, ingredients, and service can be used to try to make a product distinctive, competitors can copy such physical changes. Thus, it is through branding and brand equity that products are commonly made distinctive in customers' minds. For example, prestigious brands like Rolex, Tiffany's, and Lexus can be priced higher in large measure because of brand equity. Of course, higher prices also help create and reinforce the brand equity of prestigious products.

***Life Cycle:*** The stage of the life cycle that a product is in can have important pricing implications. With regard to the life cycle, two approaches to pricing are skimming and penetration price policies. A skimming policy is one in which the seller charges a relatively high price on a new product. Generally, this policy is used when the firm has a temporary monopoly and when demand for the product is price inelastic. In later stages of the life cycle, as competition moves in and other market factors change, the price may then be lowered. Flat screen TV's and cell phones are examples of this. A penetration policy is one in which the seller charges a relatively low price on a new product. Generally, this policy is used when the firm expects competition to move in rapidly and when demand for the product is, at least in the short run, price elastic. This policy is also used to obtain large economies of scale and as a major instrument for rapid creation of a mass market. A low price and profit margin may also discourage competition. In later stages of the life cycle, the price may have to be altered to meet changes in the market.

**Environmental Influences on Pricing Decisions**

Environmental influences on pricing include variables that the marketing manager cannot control. Two of the most important of these are competition and government regulation.

In setting or changing prices, the firm must consider its competition and how competition will react to the price of the product. Initially, consideration must be given to such factors as;

1. Number of competitors.

2. Market shares, growth, and profitability of Competitors.

3. Strengths and weaknesses of competitors.

4. Likely entry of new firms into the industry.

5. Degree of vertical integration of competitors.

6. Number of products sold by competitors.

7. Cost structure of competitors.

8. Historical reaction of competitors to price changes.

These factors help determine whether the firm's selling price should be at, below, or above competition. Pricing a product at competition (i.e., the average price charged by the industry) is called going-rate pricing and is popular for homogeneous products, since this approach represents the collective wisdom of the industry and is not disruptive of industry harmony. An example of pricing below competition can be found in sealed-bid pricing, in which the firm is bidding directly against competition for project contracts. Although cost and profits are initially calculated, the firm attempts to bid below competitors to obtain the job contract. A firm may price above competition because it has a superior product or because the firm is the price leader in the industry.

***Government Regulations***

Prices of certain goods and services are regulated by state and federal governments.

**Pricing Strategies**

There are several strategies that are available to marketing managers which he may to arrive at a price that reflects market realities, costs, consumer perceptions, and other considerations. Pricing strategies may be broadly categorized under five headings:

1. Differential pricing strategies

2. Competitive pricing strategies

3. Product-line pricing strategies

4. Psychological and image pricing strategies

5. Distribution-based pricing strategies

**Differential Pricing Strategy**

A differential pricing strategy is used by an organization that sells the same product to different buyers at different prices. The type of industry strongly influences whether an organization uses differential pricing strategy.

*One-price policy versus variable pricing*

Determining whether to maintain a fixed price for all customers or to vary the prices from buyer to buyer is a basic pricing decision. Holding the price the same for all buyers is termed a one-price strategy (or a one-price policy, if it is routinely used for all pricing decisions).

In Nigeria, most retailers follow a one-price policy. Whether a billionaire or a child with only N50.00 enters the same store, the price is the same. Some marketers defend this strategy on the grounds that it is fair and democratic not to charge prices that might favor one customer over another.

A one-price policy provides the advantage of simplicity of administration, which leads, in turn, to lower personnel expenses. This is the main reason most retailers use it. Salespeople and clerks need not debate the price of a loaf of bread or a yard of cloth with each customer.

Variable pricing appears to be the most popular differential pricing strategy, in variable pricing, marketers allow customers to negotiate in an attempt to secure a favorable price. In the Nigeria, car and real estate purchases often present such an opportunity.

Internet auctions and reverse auctions on the Internet are a new form of variable pricing. Companies such as eBay (http://www.ebay.com) consider themselves online trading communities. Auctions on the Internet operate in a manner similar to the way traditional auctions work: When the auction closes, the highest bidder gets to purchase the good or service for sale. In a reverse auction, a buyer who wants to get the best price on an item indicates a willingness to buy and then allows sellers to compete for his or her business. Typically the buyer picks a maximum price he or she would pay for the item and does not accept sellers' bids higher than this price.

*Second-market discounting*

Second-market discounting is a differential pricing strategy designed to sell a brand at one price in the core target market and at a reduced price in a secondary market segment.

*Skimming*

A Skimming price is a high price intended to "skim the cream off the market”. It is best employed at the start of a product’s life, when the product is novel and consumers are uncertain about its value.

In skimming, the practice is to price high and systematically reducing price over time. This method enables companies to establish a flow of revenue that covers research and development expenses, as well as the high initial costs of bringing the product to market. A skimming strategy assumes the existence of a relatively strong inelastic demand for the product, often because the product has status value or because it represents a true breakthrough. Price is used as a means to segment the market on the basis of discretionary income or degree of need for the product. As the product life cycle progresses, prices are reduced in response to competitive pressures, and new market segments become the key targets.

Marketing managers are most likely to embrace a skimming strategy when production capacity limits output or when competitors face some barrier to market entry. The NutraSweet brand name to solidify brand loyalty.

*Periodic Discounting*

Like skimming, periodic discounting uses price reductions that are predictable over time. The basic strategy

Systematically as time elapses. For example, long-distance telephone calls are cheaper on week-ends.

The price changes associated with periodic discounting take place over shorter time periods than those associated with skimming. Further prices may be expected to rise in subsequent periods.

*Random discounting*

The random discounting pricing strategy involves lowering the Price of a product occasionally and randomly to entice new customers. It is designed so that customers do not anticipate the reduced prices and therefore do not postpone purchases at the regular price. In its simplest form, the strategy is designed so that regular and high-income customers routinely buy at the normal (high) price and price-conscious shoppers purchase at the sale price. The key to implementing this strategy is to ensure that consumers can't predict the timing of the discounts.

**Competitive Pricing Strategies**

Competitive pricing strategies are used by organizations that have competitive pricing objectives. Dominant firms may use pricing to exploit their positions. Weak firms may opt for the role of follower.

*Meeting the competition*

Organizations concerned with meeting competition quite naturally set prices at levels equal to those of competitors—the going rate. Many Nigeria firms choose a meeting-the-competition strategy to avoid price competition and price-cutting wars. This approach tends to shift competition to areas other than price.

Setting prices for organizational products may be considerably different from setting prices for consumer products. An organizational buyer may solicit competitive bids, asking various suppliers to submit independent price quotations for a specific order. This permits the buyer to obtain the lowest possible price for products that meet certain predetermined specifications. When they must submit price quotes, many marketers adopt competitive pricing strategies.

For many custom-made products, the supplier may request a proposal from the buyer indicating the exact nature of the product or service that will be sold. Often, the buyer and the seller will then negotiate a price

*Undercutting the competition*

An undercutting-the-competition strategy emphasizes offering the lowest price among available choices. Marketers implementing this approach often use price as the focal point of the entire marketing strategy. For instance, most discount stores highlight undercutting the competition (traditional retailers). Their lower markup helps generate a higher volume of merchandise sales.

Many large organizations, especially those that compete in the global marketplace, also favor this strategy. Multinational organizations and others that price to undercut the competition often have certain advantages because of production costs. For example, many Asian electronics manufacturers pay relatively low wages, and their low labor costs allow them to undercut prices in many of their export markets. Organizations experienced in producing a product often find that their know-how and technical expertise provide economies of scale, which allow them to undercut competition with a discount strategy.

*Price Leadership and followers*

Price leadership strategies are generally implemented by organizations that have large shares of the market and of the production capacity in their industries. Such organizations have enough market information and enough control over their distribution systems to determine a price level that others will follow. Price leader typically are able to make price adjustments without starting price wars and can make their announced prices stick. Price leaders are often sensitive to the price and profit needs of the rest of the industry. Some organizations, especially those in weak competitive positions, adopt a follow-the--leader strategy by simply pricing as the market leader does.

*Penetration pricing*

A penetration price is a low introductory price. In the short run, it may even result in a loss. A penetration pricing strategy is implemented when a competitive situation is well established (or soon will be) and a low price in the introductory stage of the product life cycle will be necessary to break into the market. Penetration pricing is an alternative to skimming. Its objective is to enable a new product to become established arid survive in the long run. A company achieves this objective by pricing so low that a profit is possible only if the company sells a relatively high volume and obtains a large market share. Penetration pricing is likely to be the most effective and desirable approach under one or more of the following conditions:

1. When demand for the product is very sensitive to price (elastic demand)

2. When it is possible to achieve substantial economies in the unit cost of manufacturing and/or distributing the product by operating at high volume (economies of scale)

3. When a brand faces threats of strong competitive imitation soon after introduction because there is no patent protection, no high capital requirement for production, and no other factors to keep competition out of the market (strong competitive threat)

4. When market segments do not appear to be meaningful and there is mass market acceptance of the product (mass market acceptance)

5. When acquiring a customer leads to a relationship and additional purchases (customer acquisition and retention)

The logic of penetration pricing is that the strategy will reduce or slow the threat of competitive imitation because the small profit margin will discourage low-cost imitators from entering the market. Furthermore, by increasing the size of the total market or of its market share, the marketer starts a customer relationship, establishes strong brand loyalty, and increases the brand's dominance in consumers’ minds.

*Traditional pricing*

Certain prices are set largely by tradition rather than by individual marketers. These customary prices may remain unchanged for long periods.

.

*Inflationary Pricing*

Executives focus increased attention on pricing strategies when inflation rates are high. During periods of inflation, buying power declines for consumers as well as for many organizational buyers and most buyers become more price conscious and sensitive to price changes.

Increased price awareness heightens price competition. Products may be altered to permit the offering of lower-priced alternatives. For example, during an inflationary period, an airline may continue to offer dependable air service while cutting some of the "free" frills and extra services rather than increasing price.

Organizations may react to inflation by changing the size or amount of the product sold.

**Product-Line Pricing Strategies**

Many pricing strategists consider the product line, rather than individual product items to be the appropriate unit of analysis. The objective of product-line pricing is to maximize profits for the total product line rather than to obtain the greatest profits for any individual item in the line. Marketers who do this are said to focus on total-profit pricing rather than on item profit pricing

*Captive pricing*

A camera manufacturer may set low prices on cameras in the hope of making significant profits on film. Firms such as Schick and Gillette sell their razors at low prices to encourage long-term purchase of blades that fit the razors. In a captive pricing strategy, the basic product is priced low, often below cost, but the high markup on supplies required to operate the basic product makes up for that low price.

*Leader Pricing and Bait Pricing*

A common pricing strategy that sacrifices item profit for total profit is leader pricing. Most consumers are familiar with the concept of the loss leader, the product that the seller prices at a loss so as to attract customers, who may then buy other goods or services. Consumers are perhaps less aware of similar strategies involving cost leaders and low-profit leaders. Here again, products are priced to attract bargain-hunting customers, who may make additional purchases. The leader items, however, are sold not at a loss but at the seller's cost (the cost leader) or at a very small profit (the low-profit leader). Such pricing strategies can be quite effective.

Bait pricing involves attracting customers by advertising low-priced models of, for example, televisions. Although the bait item is available for sale in sufficient quantity, the marketer's expectation is to trade the customer up to a higher-margin model that is also available for sale. This strategy may be an effective means to sell higher-margin items.

The term bait and switch, however, is used when the merchant has no intention of selling the bait merchandise but only intends to convince the customer to buy more expensive goods.

*Price Lining*

A marketer using a price-lining strategy prices the products in a product line according to a number of "price points." Price points are simply specific prices. A marketer selling a full product line establishes certain price points to differentiate the items in the line.

Many retailers, especially clothing retailers, practice price lining. A dress store ordinarily does not stock dresses priced at $299.99, $299.87, $299.76, and so on, down to $55. Instead, the prices offered are $299, $249, $199, and the like. These prices are believed by the store owner to be "strong price points," or prices that are greatly attractive to buyers. The assumption is that a good number of dresses will be sold at $249 but that not many more will be sold at prices lower than $249 until the price reaches the next strong price point, $199. Similarly, if the price is raised from $249, there will be a rapid drop in sales until the next strong price point is reached.

Price lining simplifies consumers' buying decisions. Shoppers can first select a price point and then choose from the assortment in the price line based on color, style, or other product characteristics. It also simplifies the retailer's decisions about what specific prices should be selected.

*Price bundling and multiple-unit pricing*

With a price-bundling strategy, a group of products is sold as a bundle at a price lower than the total of the individual prices. The bargain price for the "extras" provides an incentive for the consumer. Selling a car with an "options package" is an example of a price-bundling strategy.

The marketer using a price-bundling strategy benefits by increasing total revenues and, in many instances, reducing manufacturing costs. Inventory costs may also be reduced when marketers bundle slow-selling items with popular items to deplete inventory. Price bundling differs from multiple-unit pricing (as in a two-for-one sale) and quantity discounts because "enhanced" products or multiple Multiple-unit pricing, in addition to attracting new customers through lower prices, may increase overall consumption of the product. Consumers who bring home two six-packs rather than a single six-pack may increase consumption, for example. The major disadvantage of multiple-unit pricing is that regular customers may stock up on the product and postpone future purchases until other "specials" appear.

**Psychological And Image Pricing Strategies**

Like any other stimulus, a price may be selectively perceived by consumers. Consumers may infer something about a brand's value or image from its price. When customers choose brands because their prices send a message, they are responding to a psychological or image pricing strategy.

*Reference pricing*

Retailers often use a reference pricing strategy, in which they choose a moderate price for a version of a product that will be displayed next to a higher-priced model of the same brand or a competitive brand.

This strategy is based on the isolation effect, which suggests that a choice looks more attractive next to a high-priced alternative than it does something about a brand's in isolation. Reference pricing is also used by catalog retailers such as Service Merchandise to convey the idea that they offer bargain prices. The catalog may show "reference price," "store price," and sometimes "sale price."

*Odd versus even pricing*

One seldom sees consumer packaged goods priced at N2.00, N5.00, or N10.00. Instead, they are normally priced at odd amounts such as N1.87, N4.98, and N9.99. Odd prices have, in fact, become traditional.

The use of odd prices is based on the belief that, for example, a price of N1.95 is seen by consumers as only a kobo plus some small change. Advocates of odd pricing assume that more sales will be made at certain prices than at prices just one or two cents higher.

Even prices are often used to good effect by the marketers of services and high-quality merchandise. A physician charges N175 for your annual check-up. A sapphire ring costs N1,000. Even prices are said to be most effective when the objective is to create an image of high quality or to appeal to upscale consumers.

*Prestige pricing*

For many products, consumers use price to infer quality, especially when it is difficult to determine quality by inspection. Certain products are demanded in part because of their high prices. Perfumes, furs, and gems are among them. These products are high-status goods, and marketers often charge a prestige price for them to portray an image of high quality.

**Distribution-Based Pricing Strategies**

Many prices are based on the geographic distance separating the buyer from the point of sale or the point of production. Prices are not always higher as the buyer gets farther from the seller. However, in most cases, geographic pricing policies reflect management's attempt to recover some or all of the costs involved in shipping products long distances.

*F.O.B.*

A common form of geographic pricing is F.O.B., which stands for either "freight on board" or "free on board." The letters never stand alone but are always followed by the name of a specific place, as in "F.O.B, factory" or "F.O.B. Baltimore." This place name tells the buyer the point to which the seller will ship the goods. At that point, the buyer takes title to the goods and becomes responsible for shipping charges. A consumer in Kansas City might buy a Swedish auto "F.O.B. New York." This means that the price quoted includes shipment to New York; all other transportation costs are extra.

*Delivered pricing*

When a department store advertises that the price of a bed is "N15,000 delivered in our area," that store is practicing delivered pricing, or freight-allowed pricing. The delivery charges are built into the price paid by the consumer. Occasionally, ill will may develop when customers located just beyond the delivery zone lines are charged a price higher than the advertised price.

A variation on delivered pricing is zone pricing, whereby geographic zones are delineated and prices increase as the zone lines crossed in completion of the transaction accumulate.

A company that views the entire country as its delivery zone and charges the same prices in every location is practicing a special form of delivered pricing called uniform delivered pricing.

*Basing-point pricing*

Another distribution-based pricing system involves the selection of one or more locations to serve as basing points. Customers are charged prices.

**Chapter 15: Marketing Communications**

Marketing communications are the means by which firms attempt to inform, persuade, and remind customers – directly or indirectly – about the products and brands that they sell.

In a sense, marketing communications represent the voice of the brand and are a means by which it can establish a dialogue and build relationships with customers.

Marketing communications perform many functions for consumers. Consumers can be told or shown how and why a product is used, by what kind of person, and where and when; consumers can learn about who makes the product and what the company and brand stand for; and consumers can be given an incentive or reward for trial or usage. Marketing communications allow companies to link their brands to other people, places, events, brands, experiences, feelings, and things. Marketing communications can contribute to brand equity by establishing the brand in memory and crafting a brand image.

**Strategic goals of marketing communications**

Marketers seek to communicate with target customers for the obvious goal of increased sales and profits. Accordingly, they seek to accomplish several strategic goals with their marketing communications efforts. We shall look at the following goals:

*1. Create Awareness*

Obviously, we cannot purchase a product if we are not aware of it. An important strategic goal must be to generate awareness of the firm as well as its products. Marketing communications designed to create awareness are especially important for new products and brands in order to stimulate trial purchases. As an organization expands, creating awareness must be a critical goal of marketing communications.

*2. Build Positive Images*

When products or brands have distinct images in the minds of customers, the customers better understand the value of what is being offered. Positive images can even create value for customers by adding meaning to products. Retail stores and other organizations also use communications to build positive images. A major way marketers create positive and distinct images is through marketing communications.

*3. Identify Prospects*

Identifying prospects is becoming an increasingly important goal of marketing communications because modern technology makes information gathering much more practical, even in large consumer markets. Marketers can maintain records of consumers who have expressed an interest in a product, then more efficiently direct future communications. Technology now enables marketers to stay very close to their customers. Websites are used to gather information about prospects, and supermarkets use point-of-sale terminals to dispense coupons selected on the bases of a customer’s past purchases.

*4. Build Channel Relationships*

An important goal of marketing communications is to build a relationship with the organization’s channel members. When producers use marketing communications to generate awareness, they are also helping the retailers who carry the product. Producers may also arrange with retailers to distribute coupons, set up special displays, or hold promotional displays in their stores, all of which benefit retailers and wholesalers. Retailers support manufacturers when they feature brands in their advertisements to attract buyers. All members of the channel benefit because of such efforts. Cooperating in these marketing communication efforts can build stronger channel relationships.

*5. Retain Customers*

Loyal customers are a major asset for every business. It costs far more to attract a new customer than to retain an existing one. Marketing communications can support efforts to create value for existing customers. Interactive modes of communication – including salespeople and websites – can play an important role in retaining customers. They can serve as sources of information about product usage and new products being developed. They can also gather information from customers about what they value, as well as their experiences using the products. This two-way communication can assist marketers in increasing the value of what they offer to existing customers, which will influence retention.

**Marketing Communications Mix**

The marketing communications mix concept refers to the combination and types of non-personal and personal communication the organization puts forth during a specified period. Although advertising is often a central element of a marketing communications programme, it is usually not the one – or even the most important one – in terms of building brand equity.

According to Kotler and Keller (2006), the marketing communications mix consists of six major modes of communication:

1. Advertising – Any paid form of non-personal presentation and promotion ideas, goods, or services by an identified sponsor.

2. Sales promotion – A variety of short-term incentives to encourage trial or purchase of a product or service.

3. Events and experiences – Company-sponsored activities and programmes designed to create daily or special brand-related interactions.

4. Public relations and publicity – A variety of programmes designed to promote or protect a company’s image or its individual products.

5. Direct marketing – Use of mail, telephone, fax, e-mail, or internet to communicate directly with or solicit response or dialogue from specific customers and prospects.

6. Personal selling – Face-to-face interaction with one or more prospective purchasers for the purpose of making presentations, answering questions and procuring orders.

Peter and Donnelly (2011), on the other hand, recognized five elements of the marketing communications mix, four of which are non-personal forms of communication (advertising, sales promotion, public relations, and direct marketing), and one, personal selling, which is a personal form of communication.

Obviously, marketers strive for the right mix of the elements to ensure that their product is well received. For example, if the product is a new soft drink, promotional effort is likely to rely more on advertising, sales promotion, and public relations (publicity) in order to:

- Make potential buyers aware of the product;

- Inform these buyers about the benefits of the product;

- Convince buyers of the product’s value, and

- Entice buyers to purchase the product.

If the product is more established but the objective is to stabilize sales during a non-peak season, the mix will likely contain short-run incentives (sales promotions) for people to buy the product immediately. Also, if the product is a new complex technology that requires a great deal of explanation, the mix will likely focus heavily on personal selling so that potential buyers can have their questions answered.

As seen by the above examples, a firm’s communication’s mix is likely to change over time. The mix must be continually adapted to reflect changes in the market, competition, the product’s life cycle, and the adoption of new strategies. In essence, the firm should take into account three basic factors when devising its mix:

- The role of promotion in the overall marketing mix;

- The nature of the product, and

- The nature of the market.

However, we shall consider and discuss the marketing communications mix under four headings:

- Advertising

- Sales Promotion

- Public Relations and Publicity

- Personal selling

**Advertising**

Advertising is paid form of non-personal communications about an organization, its products, or its activities that is transmitted through a mass medium to a target audience.

The mass medium might be television, radio, newspapers, internet, magazines, outdoor displays, car cards, or directories. Thus, advertising seeks to promote the seller’s product by means of printed and electronic media. This is justified on the grounds that messages can reach large numbers of people and make them aware and persuade and remind them about the firm’s offerings.

From a marketing management perspective, advertising is an important strategic device for maintaining a competitive advantage in the marketplace. Advertising budgets represent a large and growing element in the cost of goods and services. Clearly, advertising must be carefully planned.

Advertising can be used to build up a long-term range for a product (Coca-cola ads) or trigger quick sales. Advertising can efficiently reach geographically dispersed buyers. Certain forms of advertising (TV) can require a large budget whereas other forms do not. Just the presence of advertising might have an effect on sales: consumers might believe that a heavily advertised brand must offer ‘good value’. It is difficult to make generalizations because of the many forms and uses of advertising. Kotler and Keller (2006) noted the following qualities:

*Pervasiveness* – Advertising permits the seller to repeat a message many times. It also allows the buyer to receive and compare the messages of various competitors. Large-scale advertising says something positive about the seller’s size, power, and success.

*Amplified expressiveness* – Advertising provides opportunities for dramatizing the company and its products through the artful use of print, sound, and colour.

*Impersonality* – The audience does not feel obligated to pay attention or respond to advertising. Advertising is a monologue in front of, not a dialogue with, the audience.

According to Peter and Donnelly (2011), there are at least three different viewpoints about the contribution of advertising to the economic health of the firm. The generalist viewpoint is primarily concerned with sales, profits, return on investment, and so forth.

At the other extreme, the specialist viewpoint is represented by advertising experts who are primarily concerned with measuring the effects of specific adverts or campaigns; here primary attention is given to organizations that offer services that measure different aspects of the effects of advertising. A middle view, one that might be classified as more of a marketing management approach, understands and appreciates the other two viewpoints but, in addition, sees advertising as a competitive weapon. Emphasis in this approach is given to the strategic aspects of the advertising function.

Thus, objectives for advertising can be assigned that focus on creating awareness, aiding comprehension, developing conviction, and encouraging ordering. Within each category, more specific objectives can be developed that take into account time and degree of success desired. Obviously, compared to the large number of people that advertising makes aware of the product or service, the number actually motivated to purchase is usually quite small.

In the long run and often in the short run, advertising is justified on the bases of the revenue it produces. Revenue in this case may refer to either sales or profits. Economic theory assumes that firms are profit maximizers, and the advertising outlays should be increased in every market and medium up to the point where the additional cost of gaining more business equals the incremental profits.

The point to be made here is that the ultimate objective of the business advertiser is to make sales and profits. To achieve this objective, customers must purchase and repurchase the advertised product. Towards this end, an approach to advertising is needed that provides for intelligent decision making. This approach must recognize the need for measuring the results of advertising, and these measurements must be as valid and reliable as possible.

Marketing managers must also be aware that advertising not only complements other forms of communication but is subject to the law of diminishing returns. This means that for any advertised product, it can be assumed a point is eventually reached at which additional advertising produces little or no additional sales.

**Sales Promotion**

Sales promotion, a key ingredient in marketing campaigns, consists of a collection of incentive tools, mostly short-term, designed to stimulate quicker or greater purchase of particular products or services by consumers or the trade. Whereas advertising offers a reason to buy, sales promotion offers an incentive to buy. Sales promotion includes tools for:

*Consumer Promotion* – samples, coupons, cash refund offers, prices off, premiums, prizes, patronage rewards, free trial, warranties, cross-promotions, point-of-purchase displays, and demonstrations;

*Trade Promotion* – prices off, advertising and display allowances, and free goods; and

*Business and sales-force promotions* – trade shows and conventions, contests for sales representatives, and specialty advertising.

Thus, companies use sales promotion tools to draw a stronger and quicker buyer response. Sales promotion can be used for short-run effects such as to highlight product offers and boost sagging sales. Sales promotion tools offer three distinctive benefits:

Communication – They gain attention and may lead the consumer to the product.

Incentive – They incorporate some concession, inducement, or contribution that gives value to the consumer.

Invitation – They include a distinctive invitation to engage in the transaction now.

Sales promotion tools vary in their specific objectives. A free sample stimulates consumer trial, whereas a free management-advisory service aims at cementing a long-term relationship with a retailer.

Sellers use incentive-type promotions to attract new triers, to reward loyal customers, and to increase the repurchase rates of occasional users. Sales promotions often attract brand switchers, who are primarily looking for low price, good value, or premiums.

Sales promotions generally are unlikely to turn them into loyal users, although they may be induced to make some subsequent purchases. Sales promotions used in markets of high brand similarity can produce a high sales response in the short run but little permanent gain in market share. In markets of high brand dissimilarity, sales promotions may be able to alter market shares permanently. In addition to brand switching, consumers may engage in stockpiling – purchasing earlier than usual (purchase acceleration) or purchasing extra quantities. But sales may then hit a post-promotion dip.

A number of sales promotion benefits flow to manufacturers and consumers. Sales promotions enable manufacturers to adjust to short-term variations in supply and demand. They enable manufacturers to test how high a list price they can charge, because they can always discount it. They induce consumers to try new products instead of never straying from current ones. They lead to more varied retail formats, such as the everyday-low-price store and the promotional-pricing store. For retailers, promotions may increase sales of complementary categories as well as induce some store-switching by consumers. They promote greater consumer awareness of prices. They permit manufacturers to sell more than they would normally sell at the list price. They help the manufacturer adapt programmes to different consumer segments. Consumers themselves enjoy some satisfaction from being smart shoppers when they take advantage of price specials.

Service marketers also employ sales promotions to achieve marketing objectives. Some service firms use promotions to attract new customers and establish loyalty.

**Public Relations and Publicity**

Public relations and publicity refers to a variety of programmes designed to promote or protect a company’s image or its individual products. Doyle (2011) defined public relations (PR) as “those activities that the organization undertakes to communicate to its public that are not paid for directly”. Most medium and larger organizations will have a public relations department in their head office. The biggest companies also typically retain a specialist independent public relations firm to handle the most difficult and important assignments. Not only must the company relate constructively to customers, suppliers, and dealers, it must also relate to a large number of interested publics.

The wise company takes concrete steps to manage successful relations with its key publics. Most companies have a public relations department that monitors the attitudes of the organization’s publics and distributes information and communications to build goodwill. The best PR departments spend time counselling top management to adopt positive programmes and to eliminate questionable practices so that negative publicity does not arise in the first place.

They perform the following functions:

*Press Relations* – Presenting news and information about the organization in the most positive light.

*Product Publicity* – Sponsoring efforts to publicize specific products.

Corporate communications – Promoting understanding of the organization through internal and external communications.

*Counselling* – Advising management about public issues and company positions and image during good times and bad.

Marketers tend to underuse public relations, yet a well-thought-out programme coordinated with the other communications-mix elements can be extremely effective. The appeal of public relations and publicity is based on three distinctive qualities:

*High Credibility* – News stories and features are more authentic and credible to readers than adverts.

*Ability to catch buyers off guard* – Public relations can reach prospects that prefer to avoid salespeople and advertisements.

*Dramatization* - Public relations has the potential for dramatizing a company or product.

**Personal Selling**

Personal selling refers to face-to-face interaction with one or more prospective purchasers for the purpose of making presentations, answering questions, and procuring orders.

The importance of personal selling function depends partially on the nature of the product. As a general rule, goods that are new and different, technically complex, or expensive require more selling effort. The sales person plays a key role in providing the consumer with information about such products to reduce the risks involved in purchase and use. Insurance, for example, is a complex and technical product that often needs significant amounts of personal selling. In addition, many organizational products cannot be presold, and the salesperson has a key role to play in finalizing the sale.

It is important to remember that, for many companies, the salesperson represents the customer’s main link to the firm. In fact, to some, the salesperson is the company. Therefore, it is imperative that the company take advantage of this unique link. Through the efforts of the successful salesperson, a company can build relationships with customers that continue long beyond the initial sale. It is the salesperson who serves as the conduit through which information regarding product flaws, improvements, applications, or new uses can pass from the customer to the marketing department.

In summary, personal selling is an integral part of the marketing system, fulfilling two essential duties (in addition to the core sales task itself):

The salesperson dispenses knowledge to buyers – lacking relevant information, customers are likely to make poor buying decisions.

Salespeople act as a source of marketing intelligence for management.

Marketing success depends on satisfying customer needs. If present products do not fulfill customer needs, then profitable opportunities may exist for new or improved products. If problems with a company’s product exist, then management must be quickly apprised of the fact. In either situation, salespeople are in the best position to act as the intermediary through whom valuable information can be passed back and forth between product providers and buyers.

Personal selling is the most effective tool at later stages of the buying process, particularly in building up buyer preference, conviction, and action. Personal selling has three distinctive qualities:

*Personal interaction* - Personal selling involves an immediate and interactive relationship between two or more persons. Each party is able to observe the other’s reactions.

*Cultivation* - Personal selling permits all kinds of relationships to spring up, ranging from a matter-of-fact selling relationship to a deep personal relationship.

*Response* - Personal selling makes the buyer feel under some obligation for having listened to the sales talk.

**Integrated Marketing Communications**

As defined by the American Association of Advertising agencies, integrated marketing communications (IMC) is a concept of marketing communications planning that recognizes the added value of a comprehensive plan. Such a plan evaluates the strategic roles of a variety of communications disciplines – for example, general advertising, direct response, sales promotion and public relations – and combines these disciplines to provide clarity, consistency, and maximum impact through the seamless integration of messages.

IMC is the use of coordinated messages and media on regular bases to consumers. The messages are consistent and clear in all the channels of communication. Databases are used to keep in touch with consumers. Repeat sales, customer attitudes and related purchases are some of the tools used to measure the effectiveness of IMC. Thus, IMC is the integrating and coordinating of a company’s communications, so that the message delivered is consistent and clear in all channels used. These channels include:

*Advertising* - AV material, brochures, cinema, company vehicles, directories, displays, leaflets, logos, packaging, package inserts, posters, point of purchase displays, print advertisements, radio, symbols, television, transit, outdoor (billboards), videotape;

*Direct marketing* – Bill inserts, catalogues, direct mail, e-mail, internet, TV shopping, telemarketing;

*Public Relations* – Annual reports, community relations, company magazine, donations, internet sites, press releases, lobbying, publications, seminars, speeches, sponsorships;

*Personal Selling* – Fairs, incentive programmes, presentations, trade shows;

*Sales Promotion* – Allowances, contests, coupons, demonstrations, exhibits, financing, incentive programmes, lotteries, premiums and gifts, rebates, sampling, trade shows, trade discounts.

The advocates of integrated marketing communications tend to agree on the following:

- There needs to be a consistent message in all communication vehicles;

- Product design and packaging are integrated in the IMC plan;

- Primary consumer research is key for targeting the right audience and message;

- A customer database can also be used to target.

**Factors in Setting the Marketing Communications Mix**

In this last segment, we have to consider how and what determines the marketing communications mix. The manager has to allocate his or her budget amongst the elements of the communications mix. He or she will want to pursue an integrated communications strategy. What factors should determine the mix? In principle, the answer is to switch expenditure between the categories to equalize the marginal returns on the investments. In practice, measuring such marginal returns is a pretty impossible task, so commonsense rules-of-thumb have to be applied.

The promotional mix varies even between firms in the same industry. The mix has changed overtime, with movements in the costs and effectiveness of different media. In many countries, for example, the size of sales forces has declined due to their relative cost, whereas promotion and PR have increased. But these alternative vehicles are normally complements rather than substitutes. They have to appeal to more than one target market with multiple messages and multiple media. Each of the communications elements has a different but complementary role to play.

The weight that any vehicles receive depends upon a number of factors, including the following:

- The company’s objectives and resources. If the company’s objective is to increase awareness in the mass market, then advertising is the obvious medium. On the other hand, if it wants an immediate boost to sales, promotion is relatively attractive. Resources available also influence the choice.

- Characteristics of the target market. If the target market consists of hundreds of customers, direct selling will be an attractive vehicle. If the market consists of millions, then mass media will be more efficient.

- Type of product and market. In general, personal selling is the most effective vehicle for products that are expensive, complex and high risk, and for markets with few, large buyers. For products that are cheaper and routine and where emotions play an important role in the choice process and for large markets, advertising and sales promotion are more important.

- Push versus pull strategy. A major factor affecting the choice is whether the manufacturer is pursuing a push or a pull strategy. A pull strategy focuses promotional activities (mainly advertising and consumer promotion) at the end customers with the aim of getting them to induce the retailer or other intermediary to stock the product. Advertising and promotion encourage customers to pull the product through the distribution chain by creating the demand. A push strategy directs promotion (mainly sales force and trade promotions) at retailers and the trade with the aim of incentivizing them to carry the product and in turn promote it to consumers.

- Stage of market evolution. At the early stage of the market, advertising and public relations are usually the most appropriate tools to build awareness of the new product. In the mature phase, sales promotion and personal selling become relatively more important. In the decline stage, advertising, PR, and direct selling are cut back as there is little to say about the product. Then sales promotion becomes more important for stimulating the trade and customers.

**Chapter 16: Sales Forecasting**

Sales forecasting is an important aspect of business ventures. Without sales forecasting, it will be difficult to steer the company in the right direction.

sales forecasting can be viewed as the process of estimating what a business sales are going to be in the future. It is basically a projection of achievable sales revenue, based on historical sales data, analysis of market surveys and trends and salespersons’ estimates. It tells us what our future sales will be, compared with the past. The purposes of sales forecasting is to provide information that can help a marketing manager make intelligence business decisions.

Marketing managers need information about the future to make decisions today that will guide their company’s Market. They need to ask; “What will be the size of the market next year?” “How large a share of the market will we have in five years?” “What changes can we anticipate?” Sales forecasting involves applying research techniques to answer questions like these.

Sales forecasting is the process of predicting sales totals over some specific future period of time. An accurate sales forecast is one of the most useful pieces of information a marketing manager can have, because the forecast influences so many plans and activities.

Sales forecasting is also defined as an estimate of how much of the company’s output, either in naira or in units, can be sold during a specified future period under a proposed marketing plan and under an assumed set of economic conditions. A sales forecast has several important uses;

1. It is used to establish sales quotas

2. It is used to plan personal selling efforts as well as other types of promotional activities in the marketing mix

3. It is used to budget selling expenses

4. It is used to plan and coordinate production, logistics, inventories, personnel and so forth.

Sales forecasts are focused on company sales, but they may also make use of forecasts of general economic conditions, industry sales, and market size.

**Levels of Sales Forecasting**

There are three levels of forecasting which are discussed below:

Market potential; this refers to the upper limit of industry demand, or the expected sales volume for all brands of a particular product type during a given period. Market potential is usually defined for a givengeographical area or market segment under certain assumed business conditions. It reflects the market's ability to absorb a type of product.

*Sales Potential* - Thisis an estimate of an individual company's maximum share of the market, or the company's maximum sales volume for a particular product during a given *period.* Sales potential reflects what demand would be if the company undertook the maximum sales-generating activities possible in a *given* period under certain business conditions.

The sales forecast, or expected actual sales volume, is usually lower than sales Potential because the organization is constrained by resources or because management emphasizes the highest profits rather than the largest sales volume.

**Conditional Forecasting—"WHAT *IF?"***

Forecasters often assume the upcoming time period will be like the past. However, marketing is carried on in a dynamic environment an effective forecaster recognizes that a forecast will be accurate only if the assumptions behind it are accurate.

Therefore, organizations often create three versions of each forecast: one based on optimistic assumptions, one based on pessimistic assumptions, and one based on conditions thought to be "most likely" The most likely forecast is not always halfway between the other two. In bad times, "most likely" might be awfully close to disaster. The advantage of this threefold forecasting approach is that the forecaster clearly distinguishes between what is predicted and what is possible.

**Forecasting by Time Periods**

A good forecast specifies the time frame during which the forecasted goal is to be met. Managers frequently use expressions like "short term," "long term," and "intermediate term" to describe these time periods. Such expressions can mean almost anything, depending on the marketing problem under discussion. For novelty items such as snap bracelets, the difference between the short and the long term may be very short, indeed. Such products may have a life of only a month and then disappear from the market. Established products like Honda motorcycles and Lawn Boy lawn mowers may survive for years or even decades.

Though situations vary, there is general agreement that a short-term forecast covers a period of a year or less and that long-term forecasts cover periods of 5 to 10 years. The intermediate term is anywhere in between.

Generally, forecasting time frames do not go beyond 10 years. For some products, such as automobile tires, it should be safe to assume that a market will exist 10, 20, or even 50 years into the future. But it is not safe to assume that any product will be around "forever." Some forecasters do make such long-range forecasts. The problem is that the longer the time period, the greater the uncertainty and risk involved. The level of uncertainty increases immensely for each year of the forecast.

As time frames become longer, what starts as a forecast can become a fantasy. The history of business is littered with stories of managers who encountered disastrous failure because they assumed that an existing market situation would remain unchanged indefinitely. Marketing's dynamic environment does not offer the safety long-term planners would like to have. Thus, many forecasters revise sales forecasts quarterly, monthly, or weekly, as the situation warrants.

**Forecasting Options**

There is no best way to forecast sales. This does not mean that the marketing manager faces total chaos and confusion. It does mean that there are many different methods, ranging from simple to complex, for forecasting. Some methods that have been used to forecast sales are executive opinion, analysis of sales force composites, surveys of customer expectations, projection of trends, and analysis of market factors.

*Surveys of Executive Opinion:* Top-level executives with years of experience in an industry are generally well informed. Surveying executives to obtain estimates of market potential, sales potential, or the direction of demand may be a convenient and inexpensive way to forecast. It is not a scientific technique, however, because executives may be biased, either consciously or unconsciously, and thus overly pessimistic or overly optimistic. Used in isolation, executive opinion has many pitfalls. But the opinions of seasoned industry executives may be a useful supplement to one or more of the other forecasting methods.

*Analysis of Sales Force Composite:* Asking sales representatives to project their own sales for the upcoming period and then combining all these projections is the sales force composite method of forecasting. The logic underlying this technique is that the sales representative is the person most familiar with the local market area, especially the activity of competitors, and therefore is in the best position to predict local behavior. However, this method may yield subjective predictions and forecasts based on a perspective that is too limited.

*Surveys of Customer Expectations:* Surveying customer expectations simply involves asking customers if they intend to purchase a service or how many units of a product they intend to buy. This method is best for established products. For a new product concept, customers' expectations may not indicate their actual behavior.

*Projection of Trends:* Identifying trends and extrapolating past performance into the future is a relatively uncomplicated quantitative forecasting technique. Time series data are identified and even plotted on a graph, and the historical pattern is projected onto the upcoming period. Thus, if sales have increased by 10 percent every year for the last 5 years, the trend suggests that next year's sales should also increase by 10 percent An advantage of projecting past sales trends is that the company's accounting records can provide the needed data. This common method of forecasting can work well in mature markets that do not experience dynamic changes, since the underlying assumption is that the future will be somewhat like the past. However, if environmental change is radical or if new competitors are entering the market, blindly projecting trends may not be useful and may even be detrimental.

*Analysis of market factors:* The market factor method of forecasting is used when there is an association between sales and another variable, called a market factor. For example, population is a general market factor that will help determine whether sales potential for Coca-Cola is higher in Albany, New York, or Salt Lake City, Utah. Similarly, new housing starts may predict lumber sales. When a number of factors are combined into an index, the result is referred to as a multiple market factor index. Or market index, Correlation methods and regression methods are mathematical techniques that may be used to identify the degree of association between sales and a market factor.

**Factors that Determine Good Sales Forecasting**

*Good sales strategy:* A good sales strategy is essential for a sales forecasting in that it takes into account the outcomes that need to occur in order to be successful in business. A good strategy may include a SWOT analysis, or a clear understanding of the customer criteria for decision and how one can rank against the criteria, but most importantly, it will direct the tactics and help to determine the logical series of next steps.

*Understanding buyers’ behaviour:* Too many forecasts are simply lists or histories of what the seller has done without taking into consideration what the buyer is doing. The sales process, however, only moves forward when the buyer takes action, so it is incumbent on the sales organization to get clear on how the buyer is making decision. What is the process they will use? What stages of the decision cycle are ahead? And what should be done differently at each stage.

*Continuous Improvement:* A forecast is a snapshot not a movie. At any given time there is the need to remember that if done well, forecasting represents a movement in time, and since the environment is constantly changing, forecasts need to be continually refined. The marketing manager may experience changes in the business or in the market place that indicate an additional milestone be added to the process.