

Strategic Marketing - Contemporary Issues
Prof. Jayanta Chatterjee
Department of Industrial and Management Engineering
Indian Institute of Technology, Kanpur

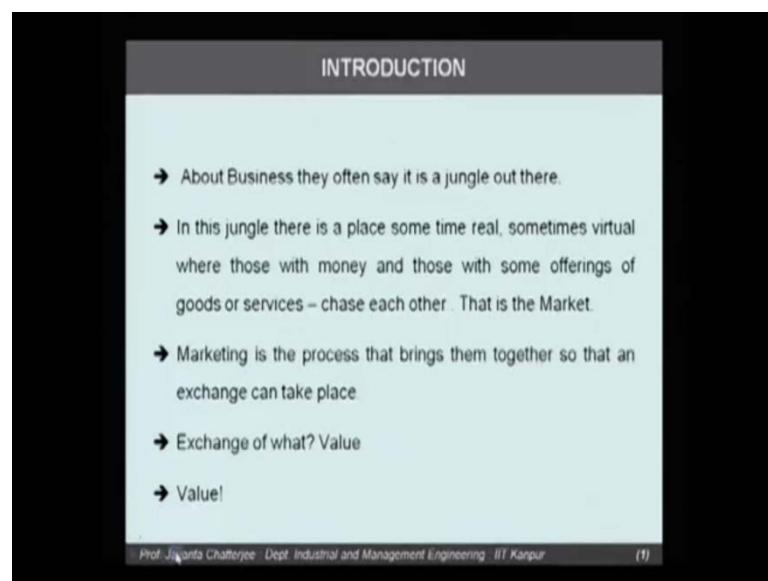
Lecture - 1

Hi, my name is Jayanta Chatterjee. I am a professor at IIT Kanpur in the Industrial and Management Engineering Department. Today as you know as part of NPTEL phase 2, our subject will be Strategic Marketing or Marketing Strategy, and we will discuss what the differences between these two terminologies. And as we go along, we will also look at different contemporary issues relating to Marketing.

Now, the course schedule the different modules that we will be taking up and the particular topics within those modules are all available to you already. But at this point as the opening session for the course we would look at some of the fundamental concepts of Marketing that you should be clear about. This course is an advance level course.

So, we assume that you have already done a fundamental or introductory course on Marketing. That will however help in few opening sessions. We will look at the key concepts of Marketing and some of the associated disciplines like say for example, finance which will be essential to understand the strategic dimensions of Marketing.

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INTRODUCTION

- About Business they often say it is a jungle out there.
- In this jungle there is a place some time real, sometimes virtual where those with money and those with some offerings of goods or services – chase each other . That is the Market.
- Marketing is the process that brings them together so that an exchange can take place
- Exchange of what? Value
- Value!

Prof. Jayanta Chatterjee, Dept. Industrial and Management Engineering, IIT Kanpur (1)

Now, let us look at our first topic about what is a Market? So, as you see that about business they often say it is a jungle out there and I am sure many of you who have been to on a truck through a jungle or a truck on an unknown terrain. You would have found certainly an open place where some people are selling stuff and there are some people who have gathered there to buy stuff. I am sure you have seen such small local markets, village markets, mandi's and so on. In a way the concept of market is no different from these places.

However, in today's world these places need not be always be a real place, I mean a physical world space. It could be on the internet, it could therefore, be a virtual space, it could be on the TV or you could actually not transact face to face as a buyer with the seller, you could be doing that over telephone.

So, we say that a Market is therefore, a place where there are people who have got money and they want to buy something or that means a product or it could be some service or could be a combination like you could go to a movie and you are going to enjoy a movie which is some kind of an entertainment service. But you could be also enjoying popcorn and some drinks and some other foods, snacks and so on.

So, those are actually some physical products. But, in all cases we see that there are people who have got money and there are people who are offering goods and services. And the Market is a place where this exchange takes place between what you have as a buyer and what the other person has as an offering of goods or services as we call them and often they are blend of goods and services. We will discuss that in more detail at some point of time later on. So, Marketing is a process that sort of brings them together so, that an exchange can take place.

Now, the question is exchange of what? And in Marketing terms we say exchange of value. Now, this word value is something which you might like to explore on your own because in simple terms value is something that you value which means there is something that is of importance to you. So, obviously as a buyer or as a consumer at that point of time of purchase what you value is the utility offered by a product, the enjoyment offered by a product, some kind of satisfaction offered by a product or a service, some kind of promise that you want to procure like for an example, we often buy soap with a hope that it will make us pretty and it will make us look handsome.

So, in a way therefore, we are not only buying a product we are also buying a promise along with that, which is a kind of intangible. So, there are always mixes of tangible and intangible when we look at this basket of values.

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And similarly, the seller is not only looking for the money at that point they value but, they are also looking for other kinds of values. That we will also discuss little later. So, as you see here therefore, Marketing is an organized process. It could be an individual who is the seller but, even then it is an organized process and what is entailed in that organized process we will be discussing. So, it is an organized process for understanding the Market place in the nature. So, if it is an electronic Market place you have to understand it similarly, if you are actually at a mall you have to understand that Market place. So, there is an understanding of that Market place which is necessary for that organized process to succeed and then understanding different value propositions that would attract different types of customers.

So, this is also important that there are different types of customers. And then, you have to share that understanding within the organization and with your partners. So, partners could be your distributors, partners could be your vendors for subsystems or some associated products. So, if you are selling say laptops, the people who supply or your associates or your partners might be supplying the laptop bag for example, or say, the UPS that you might be wanting to buy along with your desktop and so on.

So, they are partners so co-vendors and similarly, your suppliers they are your partners, your retailers that means people who buy from you and then distribute the product across different geographies, they are your partners and your understanding about the Market place and what kind of attractions are offered to different types of customers that has to be shared across the organization as well as along with your partners and we need to do all that so that the desired package of value or values can be delivered efficiently to the targeted segment. So, this is you know we will see that in detail we can even look at these two things separately targeted segment of customers. So, this is what marketing is all about. So, as you can see that there is a process here which is what we call defining value defining process, that what is it that we are offering that is unique, that is attractive, that is of value to the customer or buyer. So, there is a value defining process then there is some kind of a value development.

Now, this value development may need working with your partners, working with other disciplines within the organization like finance or manufacturing and materials and so on. And then, we have a value delivery process. So and these are kind of all interactive, the delivery process, the define, so define delivery and in the middle development and they are all interacting with each other.

This is a kind of a system that we need to understand well. So, there is a value definition process what is it that we are offering to whom and why will they buy why will they procure, why would they like to have this package of value that we are offering and then you have to develop it further that is where actually Market research and consumer behavior and all those disciplines will come into play so that we finally, come up with the total package and then we have another D which is the Delivery process. So, Define, Develop, Delivery these are the 3 fundamental processes in marketing.

Now, within this we have what we call here we have something and I will sort of draw this in a more details. Here, this is the package of value. Now, in this there is a core what we call core value so, if you take for example, tooth paste, the core value is cleaning your teeth; that is why that is a core value for which you buy the tooth paste. But, we know if you look at any promotion for a tooth paste or even if you look at your own decision making process in your mind when you go and buy tooth paste is not exactly only the cleaning value we have at that stage something what we can call an expanded set of value which comes out of certain other expectation that could be relating to your

health of your gum or other germicidal values of or fresh breathe you know feeling good about how you smell when you talk. These are actually you know we are expanded expanding the value set and we are looking at this stage we will be going into little bit of often into their alms of intangibility.

So for example, if you are looking at clean teeth you are looking at you know fresh freshness and you are looking at a cool feeling along with that, you might feel that this is all going to add to your popularity and this is all going to make you somebody more desirable as a friend and so on a person who is popular.

So, you see, how the buying of tooth paste the process goes beyond the procuring the core value which is cleaning your teeth expands in to several intangible possibilities and these are what marketing people do they have created in certain ways based on real promises and possibilities a set of expanded sense of value that you are procuring when you are buying simple pack of tooth paste and these possibilities of going beyond the core, opening up new potentials, touching upon new possibilities, are interesting areas of marketing. But, of course, as we are looking at marketing strategy or strategic marketing today these are also areas where marketing often faces criticism that possibly these activities of marketing create over consumption or unnecessary non-utility area in consumption.

So, whether a marketing should only be created to need or created to need and possibilities of other intangible pleasures which goes beyond utility, beyond the core function whether marketing should do this or marketing should not do this, whether marketing by so doing is creating an economy which is just you know take make waste that means you take things from nature makes stuff which people only use for some time and then they all and up in the big waste heap accumulating across the world and we have this humongous problem of cleaning our environment tackling with this huge amount of waste that has now become has synonymous with development. And and whether marketing therefore, should today play a different role and these are all different kinds of questions that we will look at later sessions. But, at this moment therefore, I would like you to pay attention to that marketing is an organized process for understanding the market place.

The market place can be real or physical or it could be a virtual electronic on the internet, on the TV, on the phone and then understanding the different value propositions and that could attract different types of customers and then sharing that understanding within the organization, not only within the organizations but also what we call the extended organizations including the partners, that means the vendors, your suppliers, your distributors, your retailers. So, you need to share with them your understanding of what exactly your offering, and then the whole thing about delivering that desired package of value efficiently, effectively to the people that the segment of customers whom you want to reach. And as I said that therefore, there is this value definition, value development and value delivery three interactive sets of processes and at the core of that sets that what is the nature of that.

If there is core value and there is expanded value, there is value that is delivered tangibly and there are all kinds of intangible promises associated with the core value.

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So, these are you can say the real understanding of what marketing does marketing has been doing for last several decades, as since we conceptualized this as a disciplined and important discipline with in management. So, if you look at marketing today 2011 and I suppose as 2015, it will be even more so and some of these factors are proliferation of products services, large number of choices expanding numbers of choices and rapid evolution of the products themselves.

Now, let us look at this proliferation of products simple to understand 15 years back if we went to the shop we wanted to buy tooth paste you would have bought most probably only tooth paste that was white in color and was available in three sizes: Small, Medium and Large.

Today you go to even an neighborhood shop, look at the whole rack looking, look at the toothpastes you will find them in so many colors, even in combination colors, maybe they are may be red stripes on green toothpaste and so on or red and white blue red all kinds. And then there will be toothpaste with this with peppermint perhaps or with something that gives you a cool feeling or or a toothpaste may be focused on sensitivity to cold and hot stuff there maybe toothpastes which are which would have earlier in available only in medical stores are now they are now available across the counter as one of the varieties.

So, you can see their proliferation, large varieties offering many choices to you as the consumer and rapid evolution. Have you observed that over the last 10 years how many different tooth brushes have become available to you again as I said a decade or maybe 15 years back, 20 years back, you had only one kind of tooth brush maybe soft and hard or medium but, today you have so many geometrical variations zigzag something that cleans your teeth and rubs your gums, something that goes into the curves between your teeth, something that maybe vibrates by itself which is an electric or electronic toothbrush, something where you can have actually one part which is fixed and then you can have different attachments to it to have different kinds of tooth brushes all coming in 1 set.

So, the product is evolving for all you know that within a few years we will have tooth brushes whether will be no brush you know it maybe all done by air brushing or something like that. So, we have this rapid evolution and then proliferation of media right and earlier again we will stay with toothpaste you would have perhaps seen the toothpaste add in your daily newspaper or in a magazine today of course, television is u b quitters and so you have so many adds of promotion of toothpaste on the TV, then on the radio, then on the internet and even on the internet there maybe advertisements or there maybe be a settle promotions through the social media that means over different types of social network.

So, you see therefore, you have a proliferation of media. But, along with that proliferation of media you have the problem of fragmentation of attention just look at yourself earlier you possibly read the newspaper in the morning, you went to your institution, you went to your office after that and maybe came home in the evening watched TV for some time. But, today you are 24 hours exposed to different forms of media pinging for your attention through your mobile phone, through your computer, through the social media, through the television, through the newspaper journals and direct mail and so there are all kinds of things and therefore, today really this is something which has becoming complex to get attention of the consumer.

Sometimes they say, that the biggest challenge of marketing today is to get attention customers attention, people have even coined terms like attention economy that is in this economy the most precious thing is for a marketer is customers attention.

Shifting demand I mean, look at phones 20 years back there were so many different types of table top phones, phones with answering machines, phones with caller and phones which could be used as speaker phone, phones that could be used by number of people, all kinds of desktop phones were available and it was quite normal say 20 years back or even maybe 10 years back in many places you walked into an office and you would see on the person's table there will be 5 phones even in different colors. But, what about today, today there are airports like I realized just last week when I was flying out of Lucknow airport that there was no place anywhere on at that airport where I could find a public call booth where I could go and make a phone call because I had left my mobile phone behind and it took me about a couple of hours to travel from IIT Kanpur campus to Lucknow airport and I was feeling quite restless, I was feeling insecure that I did not have the mobile phone with me.

Later on I was thinking that 20 years back I had no mobile phone and I never felt like this and I could always find a place where I could make a call and now phone has become personal and therefore, there is practically no demand for desktop phones. 15 years back PCO's, public call centers, public call facilities proliferating. Today as I was telling you last week I could not find a single one at Lucknow airport a major public place. So, the demand for PCO's must be declining the demand for desktop phones right declining so, demand is shifting towards different types of mobile and today not only mobile phones they have actually got transformed so, it is a phone it is a camera, it is a

music system, it is a portable music system, personal music system, it maybe even a personal screen for watching movies on the moves.

So, you see a mobile device all different types of mobile devices are proliferating and the demand is going away from these desktop phones. So, as you see marketing therefore, we are always dealing with something that do not change continuity there is a need of telephone or telecommunication that means communication with a person at a distance that is not changing and that will perhaps only become more and more in demand is need of communicating with people who are not present at that at that point.

So, telecommunication will continue to expand as a market opportunity but, devices that give us the facility products that bring that service to us that is going through rapid change that is therefore, this paradox that marketing has to deal with all the time that what is it that is not changing and what is it that is changing beyond recognition changing beyond recognition.

So, that leads us to a very complex issues in marketing in terms of understanding technology, understanding people and not only that understanding globally how these factors are playing out in different geographies and what we call SPLE issues, Social, Political, Legal, Environmental issues, Social Political Legal and Environmental issues. How all of these are affecting these global issues, these complex issues of marketing today. So, this is kind of the canvas on which we will look at these different types of opportunities changes that are coming up in this domain of strategic marketing. But, before that we will look at some issues that remain the same those fundamental understandings will be where we will focus now.

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At this point, let us recap some of the key concepts that brought that we have discussed over the last half an hour are so, we have discussed that what is a market the process of exchange, exchange of values and this exchange process that consists of value development, before that value definition so, definition development delivery and we have also discussed the different the core value and the expanded value concept, the tangible value and the tangible value concept.

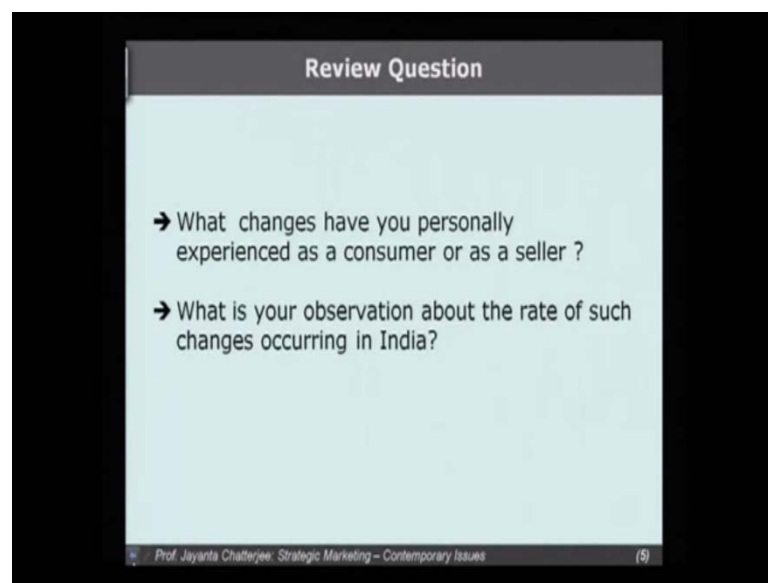
We have also looked at during the discussion that how goods and services for a continuum there are very few examples of pure goods may be salt could be here and there are very few examples of pure surface for example, I do not know may be music recital, you know it can be just considered as totally intangible almost intangible and this is kind of almost tangible practically there is no tangible goods and services. But, most things actually fall in between with a blend so, as I said that you go to the movies that is intangible that service but, you also consume at that time ice cream and pop-corn and soda and so on, another snack and those are all goods and you pay more for a bigger seat or comfortable seat or a better location. These are all kind of physical things.

So, goods and services physical and virtual tangible and intangible are all kind of combined in this goods service continuum then utility. So, utility comes as form time place procession experience what does that mean it means that utility comes in different

forms so like we were discussing utility of tooth paste and it can come in different form and different time may have a different utility values for same stuff.

So, the toothbrush has when you are in your own bathroom at home it has certain time and place and therefore, associated with that is certain form but, if you're actually looking for a toothbrush that you would like to pack while you travel light then it may have different form offering different sets of utilities for different purposes at different time and the place and so on. And again, utility sometimes are things derived out of things that we want to possess like a motor car but, it could also be some kind of experiential thing that we enjoy for a certain time but, nobody would like to necessarily want to possess a theme park or an amusement park. But, we will like to look at that more as in experiential utility so, this could be shared it could be therefore, procured as service for a certain amount of time and so on and so for but, there are more issues connected with this utility concept in marketing and we will discuss that later in more depth.

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So, these are were the key concepts we have covered and at this stage, I would like to give you a review question that or a set that what changes have you personally experienced as a consumer or a seller in the market place over the last 5 years or even 5 months. If it is mobile phone, you might be able to like to answer this question that what changes have you personally experienced for the last 6 months but, if it comes to

toothpaste you may like to answer this question in terms of last 2 years. And you maybe in different parts of India and I would like you to look at that what is your observation about the rate of such changes occurring in India is it is the rate like this in Bombay or Mumbai and is the rate like this in say in a village around near you or is the change rate of change very steeply upwards for certain of products certain types of services or is it very slowly changing in certain other types of products and services.

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Now, if we want to go to the next stages then let us look at the function of marketing. What do the marketers do, what do they do.

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So, if you go back to first definition therefore, marketing is an organized process etcetera, etcetera, that you have with you, then you will understand that marketers have one key role is understanding market opportunities right and very important not mentioned here is sharing that understanding sharing than understanding in external prospective that has been that are occurring outside the organization all the Social Political Legal Environmental things that are happening outside the organization and internal things that are happening with respect to people inside the company, their aspirations they have social moods changes norms beliefs believes so on.

Also you have to share this understanding externally with your partners with your retailers, with your vendors and so on and internally with your different organizational functions with your finance colleagues, with your manufacturing colleagues, with your HR colleagues and so on.

Based on that, marketing department marketing professionals they develop scenarios and plans with respect to different marketing, different customer segments how are they going to be reached and what exactly will be the positioning of your offering of your good services that you are offering and then of course, this whole thing has to be implemented.

So, marketers they have the primary role of understanding the market opportunity they have the role of sharing that understanding within the organization as well as the outside

the organization or the broader organization or extended organization as we call it with a vendors suppliers, co-suppliers and so on then, developing different kinds of scenarios and plans with respect to different customers segment show they will be reached, what process will be followed to establish the package of tangible and intangible value that will be part of your offering. And therefore, what that whole process that we call it as positioning and marketing has therefore, manage the implementation of this plan and control so that it is efficient in terms of finance, efficient in terms of its economics and most importantly what marketers do today and this is a real important understanding that has come up over the last decade or so is this thing that the most important thing for enduring success in marketing whether you are selling tooth paste or you are selling a very complicated machine is your relationship with your customer.

So, this last point is very important this is as I was saying, this is a realization that has dawned upon the marketers more acutely over the last decade or so that because of this wide range of choices rapid evolution of products and due to the fragmentation of attention due to proliferation of media to acquire a new customer has become a very expensive proposition and it is becoming more and more expensive everyday moreover even for sustained flow of revenues profitable revenues. This concept will discuss in the following sessions which mean that fundamentally to be effective and efficient effective by way of reaching out stay in important in the eyes of the customer you have to endeavor, you have to develop a relationship with your customer.

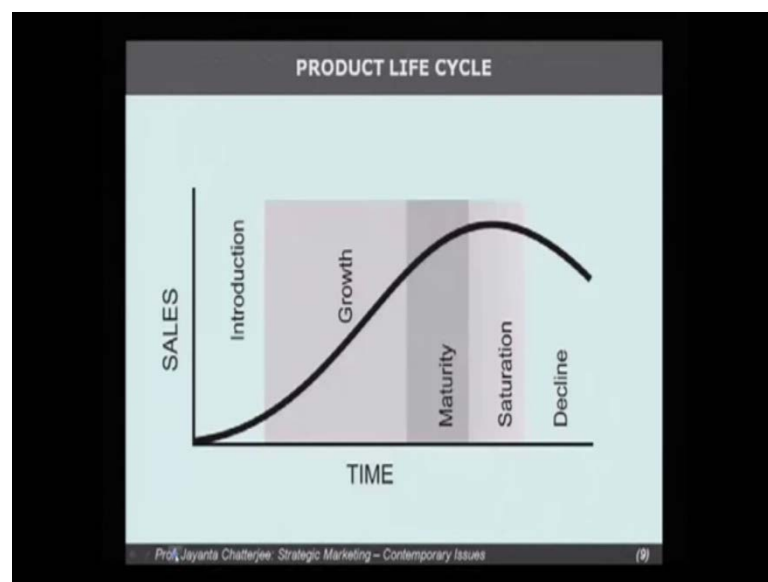
So, earlier marketers often thought of, I just you know the customer comes there across the table we versus they, our aim is somehow to convince them and make them buy our product this was and this remains an approach that marketing wanted to leave behind. This is what we called the transactional approach, the one-time approach here today gone tomorrow type of approach this is not going to work, this is not working even today and will even more not work in marketing tomorrow. What can only bring you success in the field of marketing today in terms of efficiency as well as effectiveness is relational marketing is building long term customer loyalty even that is not a very good word I would say through your ability to build relationship by continuously delighting the customer exceeding the customer's expectations so that is the core of the marketing function today.

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Now, in the next few minutes I would like to bring to you another key concept and that is the concept of product life cycle other two concepts important concepts in the next session.

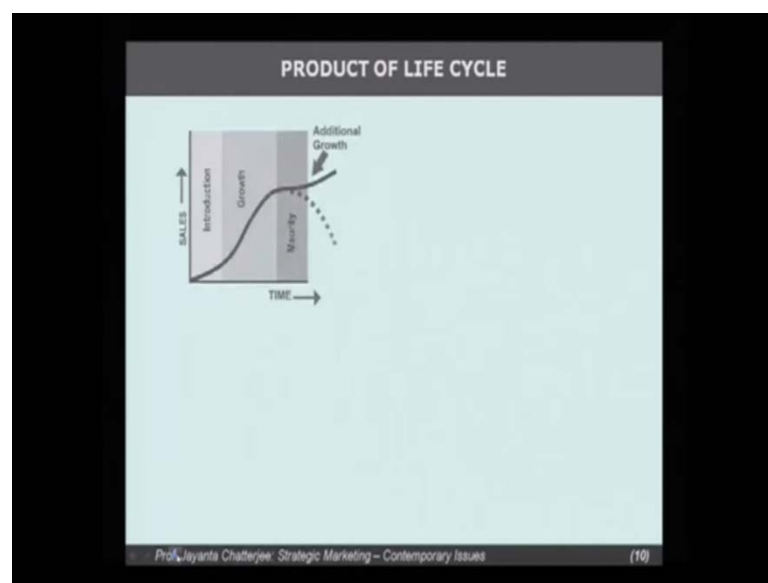
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So, this is something that is not very difficult to understand I am sure you all already know about it from your earlier sessions at with with introductory courses in marketing that all products or in a way all offerings they have an introductory phase, they have a growth phase and then the mature and then overtime the decline.

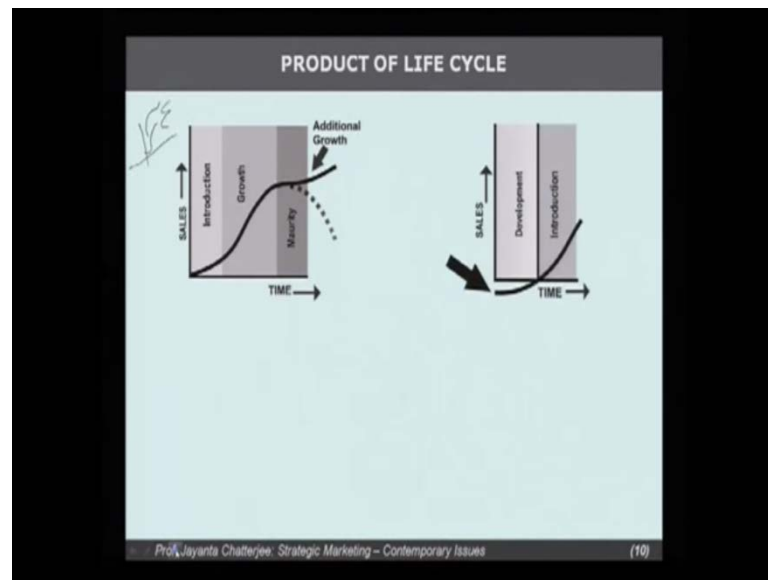
And we also know and so, if we have on the X-axis time and on the Y-axis we have sales or revenues cumulative revenues then, we know that it kind of grows to this we often call this also the S curve because it looks like a S. We also know today that sum for some products if it is a semi conductor chip then it has a very sharp compress life cycle so, if it is certain kinds of metals then that product life cycle may be 10 years, may be even 15 years. It is becoming less and less that the 15 year life cycle. Type of product or services are very few but, there are like as I mentioned semiconductor chips or may be a certain kind of perfume or a fashion they will be having life cycle of may be 12 months, 6 months sometimes, it just 1 season which is 3 months. So, it may be a winter fashion, summer fashion, and spring fashion now, there are more and more in a shorter cycle within earlier they use to summer winter.

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Now we have autumn fashion spring fashion it is becoming more and more compressed so that is the product life cycle. Why it is important for us as marketers, that is because marketing has different role to play one of them is that, obviously we cannot allow this cannot be our fate, the organization will like to grow and grow and grow so which means that when one product or one family of products or services are maturing interest is declining you have to create an additional growth. So, we sometimes call it that an S curve needs an extension so, we call this often an E curve. E curve S curve to E curve.

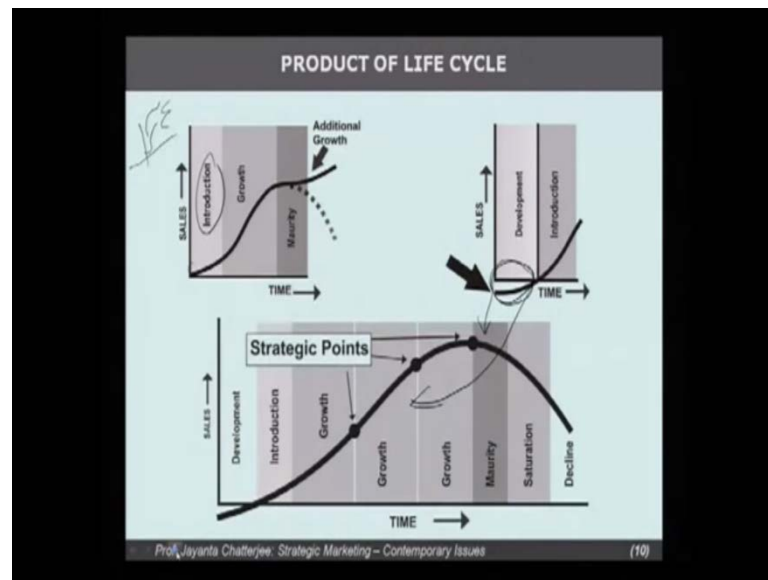
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The next important point is to understand as a marketer and this is a little involved so, understand it carefully that the product life cycle as we see it starts here that means when it is launched, when it is introduced but, obviously there is a whole period before that introductory phase where the product was under development and therefore, that was a time when there was no sales, it was negative that means you are only consuming resources and there was no revenue coming in return and obviously, the bigger is this the more difficulties later on to make money out of that product or services.

So, we need to therefore, marketing as a role of reducing this developmental period by bringing accurate good work able understanding of the market place back to the people who are developing the product and participating in the development processes.

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And lastly, we have this thing that, understand that each one there are some critical phases where marketing's role come into play. That this before they introduction, that is this the whole developmental phase, when the product of service is doing very good very well. So, that is when actually we have this growth strategic point and then we have this when the maturities taking place, the product is about to decline, to sense it sense this point before this decline happens and what should marketers do at this point, at each one of this strategic points will be our next session.

Thank you.