

Strategic Marketing - Contemporary Issues
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Lecture - 27

We have in this module already discussed some of the fundamental aspects about branding and brands can be very narrowly focused, brands can be broad, brands can form an entire line up or platform or brands can be very niche oriented, all these different aspects we have discussed and all these concepts can be put under the general heading of what we call brand architecture. So, just like a building architecture can be for a single story building for a multistoried building, it can have apartments, it can have a whole complex. In the same way brands can be therefore, single line and form a complex interrelated structure as well and we can see as some of those examples. So, in short the brand hierarchy or the architecture consists of say corporate brand. For example, if we take Hp which is a printer company I mean Hp has many other products, but let us focus on that part of Hp which deals with printers and so on.

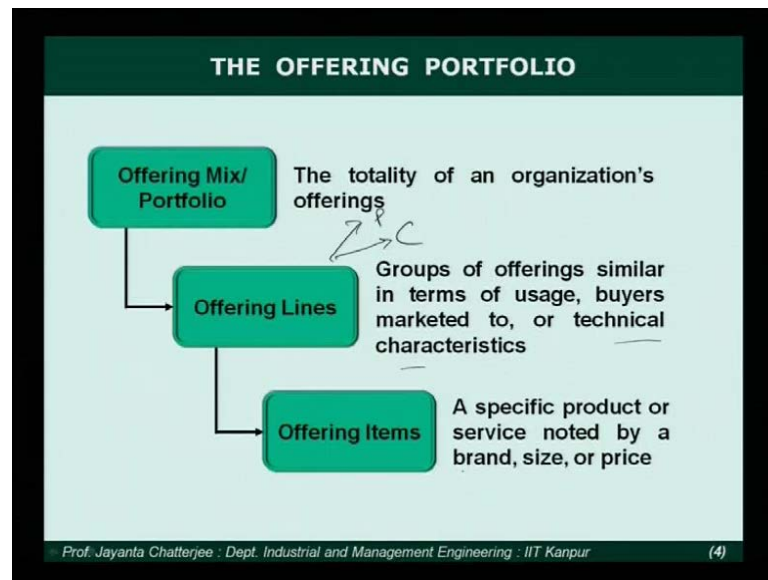
So, the corporate brand in this case will be Hp, the range will be printers but within that we can even look at a sub-range which we can say laser jet. Now within that there can be what we call a product line brand; that means range brand will be laser jet, product line brand will be, say laser jet 1010 family or laser jet 4 or etcetera, etcetera. Then within that there can be a sub-brand that for example, there could be different variants of say, laser jet 1010 or laser jet 1067 and within that there can be different variants offering features like, say duplex printing or maybe high volume printing or speed of printing. So, you can actually differentiate and therefore address different niche segments through your sub-branding strategy. And in general therefore the brand differentiation within that range will be based on certain key attributes of that particular offering which will be say, resolution or speed of printing or duplex versus simplex and so on and so forth.

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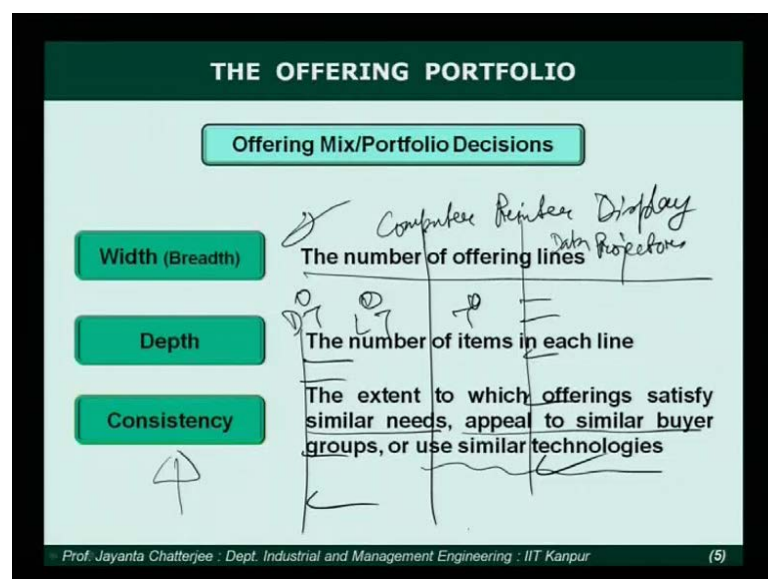
In this context therefore, it is also important for us to look at the interrelationship between brands and offerings. They are kind of quite related, slightly different concept because the offering in general kind of looks at the product part of it, the service part of it and how they are blended or the terminology that we have earlier introduced called product service system is actually the foundation of this offerings strategy. So, offering can be a broad concept, offering can in some context be very narrowly focused. So, in general marketers often face whether it is with respect to brands or with respect to offerings, this particular decision making that whether we need to modify the offering mix or we can reposition or lineate or clarify the positioning of the offering and how that we should actually interrelate that positioning with respect to the brand concept. Now let us look at how that pans out.

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The offering mix or portfolio we talk about the totality of an organization's offerings like for example, we were discussing about Hp. So Hp has computers, Hp has within computer it has laptops, it has desktops, it has tablet computers and so on and so forth and then it has printers. So, the entire thing can be called like an offering mix or portfolio and then within that there can be these two lines as we said printers and computers. So, there are groups of offerings which is similar in terms of usage, buyer market, technical characteristics and so on and within that there can be all these offering items which can be the product line, the sub-brand, the feature base of those different.

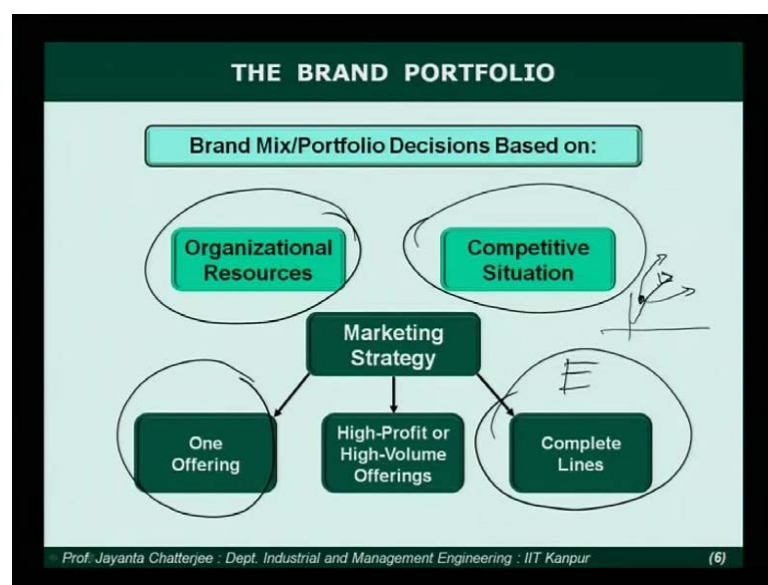
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So, therefore what we see is that the offering mix can have the width aspect of it; that means how many items is there the number of offering lines. So, in case of this there could be therefore computer, printer, even display system, in case of some other company like, say, Samsung, you can also add to it, say, for example projectors. So, these are all relating to the general logic will be that data handling, data manipulation, data storage, data display, the computing and display relationships, and computing and projection relationships, sharing, all of that put together can be the general logic under which this width will be validated. The depth will be that in printer how many items are there in computers how many different.

So, like we said there can be desktop, there can be laptop, there can be tablet and under that again there can be number of items. So, this is how actually what we look at as we discussed about the architecture or the totality of the offerings and how they have some kind of consistency. So, consistency means in this case for example computers, printers, display, projectors, data projectors, as we can see there all kind of interrelated. So, therefore they satisfy similar needs, appeal to similar buyers because most of these will be people who are looking for data processing, data manipulation, data storage, data display, information manipulation, knowledge base creation, database creation all those kinds of things. So, therefore they will also be used kind of similar interrelated technologies.

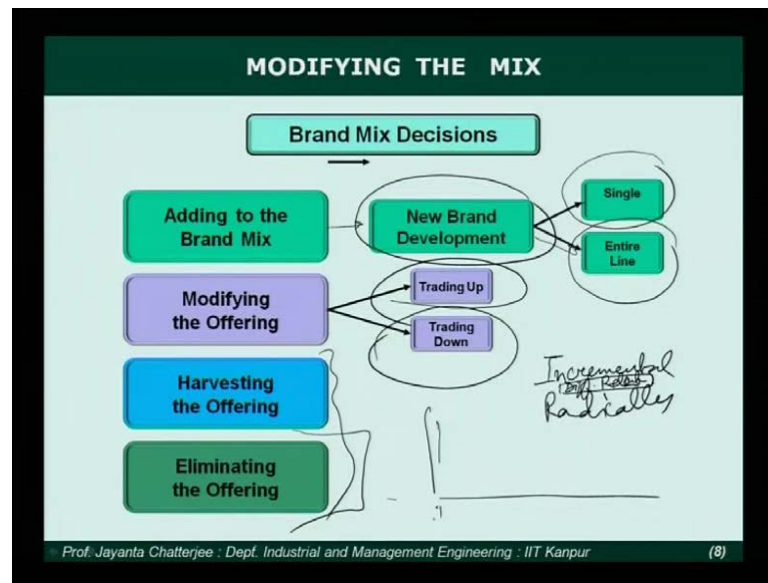
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So, the decision to what kind of whether it should be just one offering or if there should be complete lines or there should be many lines, all that will depend of course on organizational resources and as well as competitive situation. So, competitive situation means that when the market is in the growth then we see one kind of in the growth range; therefore, if you actually Hp might have originally started I exactly do not remember with this started with computers or they started with printers, they started I think with instruments, but they got into computers and then they saw this opportunity in printers, they acquired develop intellectual property in that domain and then you can actually therefore go into various kinds of adjustment areas. So, while your core product line is growing you find opportunities which are there in adjustment spaces; that means similar as we discussed; that means the customers. So, fundamentally it is always focused on the customer.

So, this customers if they have requirements which are kind of similar or interrelated then you have an opportunity to create different product lines and obviously, always we will have this decision to be made that what was the brand message with respect to how it is generally it is exclusive segment oriented or it is high volume offering; that means mass merchandising or even if it is in the industrial sector or B to B sector even there one can be focused on few customers or there can be can be a very broad appeal. So, when you look at printer we know that these companies like Hp or Toshiba, they have a whole range which we can appeal to different types of customers, but then there are examples like say, Apple who actually remain very focused on a certain type of customers. So, over the years they have the people who are in publishing people who are in media generally have a high affinity towards the Apple brand because they are offering are tailored and always offer superior value proposition for that kind of user. And so you can see there can be validity for both very narrowly focused exclusive brand and positioning combination offering line up or there can be a much broader approach.

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So, the brand mix decision therefore will be whether we need to add to the brand mix and then if adding to the brand mix can be modifying the current offering, it can be therefore incremental changes or it can be every brand new development; even in the new brand development it can be single or it can be entire line. So, if there is a soap company which sees an opportunity to leverage their soap current brand property, current brand attribute, the way it is positioned in the customers mind; suppose it is actually seen as an excellent winter time soap which is actually has high glycerin content and therefore actually takes care of roughness caused by the winter.

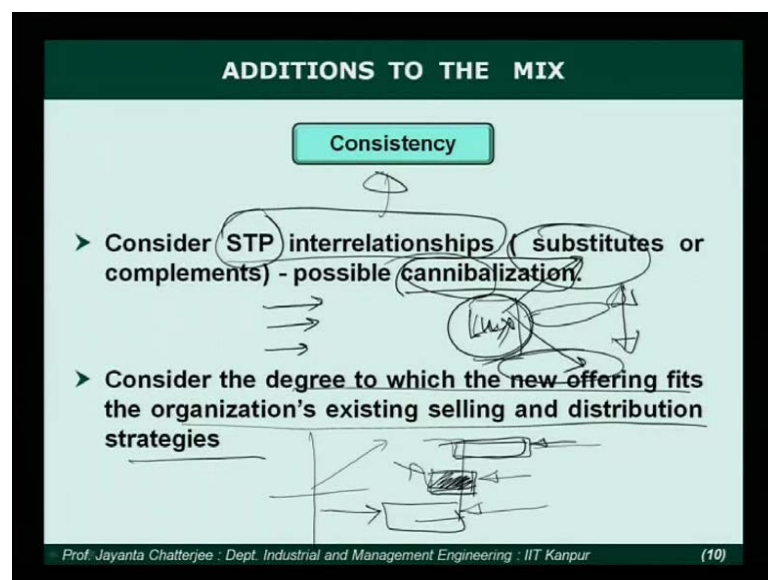
Now, at that time looking at that they may think about developing a new associated brand in the domain of, say, skin lotion or in the domain of other kinds of winter care which may be necessary for woman, for working man, for children and therefore it can be either a single thing that is developed only for children for winter care or it can be an entire line looking at winter care, lotions for men, women, children, different types of market segment.

So, therefore adding to the brand mix can be a new brand development, it can be modifying the existing offering. So, which means it can be an incremental decision or it can be a radically new or it can be in between there can be something like different but related. And in modifying one can always trading up and trading down, if you look at the way Lux soap they have actually now different offerings. They have actually a higher

end offering which is called I think Lux supreme or Lux international or whatever and there can be Lux which is actually aimed at buyers looking for a lower priced option and as we have discussed before as a brands become old just like in product decision we have this thing that we can actually look at harvesting; that means that brand may still be very valid. So, there are various kinds of say, over-the-counter drugs where they still retain I remember that there is for children this what is it called gripe mixture.

Now, there are new offerings in that, but there are some people who still swear by that original product for colic pain of babies and so that mixture maybe now not very widely used as it used to be, but still there is a loyal following and so you can actually now do all the things that we have discussed with respect to harvesting; that means you have a margin focused narrow marketing strategy or sometimes you may actually after sometime you even decide to eliminate that offering. Now even in semiconductors or other high-tech products this harvesting and eliminating strategy is often used. So, we can see that the product lifecycle related decisions that we can take with respect to marketing strategy equally apply when because after all brands or the layer or the connecting architecture with the customer which rests on the fundamental promise of the offering.

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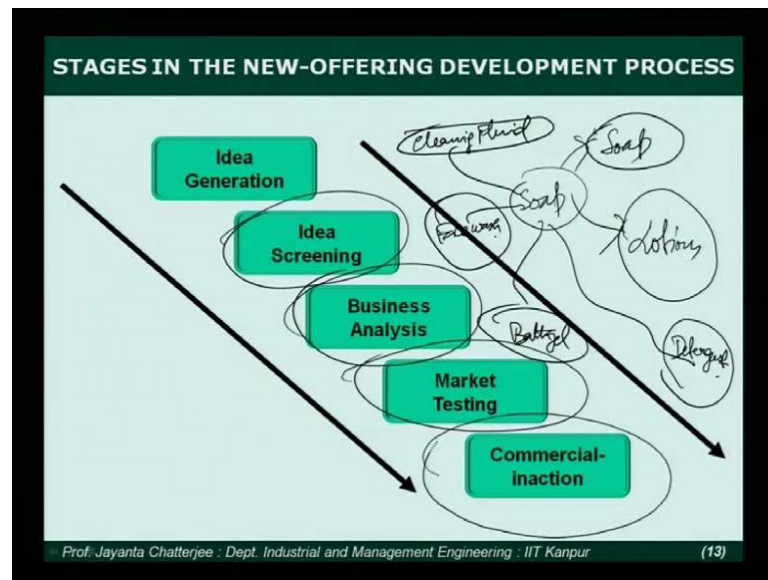


So, this is the relationship between offerings and brands. Of course, absolutely important point here is that when we think in terms of offerings and therefore based on that

offering characteristics, the brand building exercise, a very important point is consistency; that means if I am going to create a particular product which has got a very clear, it must have a very clearly defined segmentation, targeting and positioning proposition. Without that without very clear understanding of this STP if we actually create or promote a brand it can actually fall flat. It is also important to note that if when Lux is introducing different alternatives to its originals. So that means, either it can be upscale from the original Lux or it can be sort of lower priced option. So, it can go both direction, but it has to be understood that in that process that can be some cannibalization; that means some the original Lux customer base can some of that can migrate towards this and some of that can be migrate towards this the lower or the upper price segments which means that the consistency logic; that means whether it will be a price based, whether it will be a feature based or both variant strategy that should be very clearly understood.

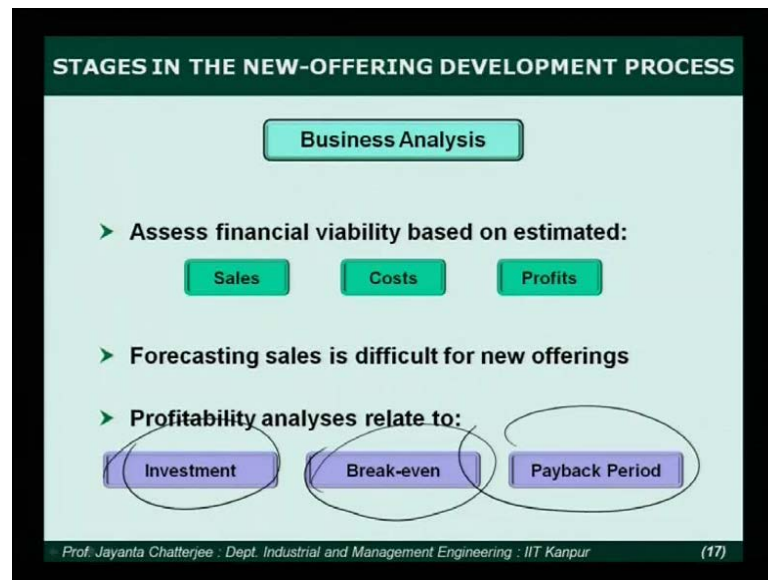
So, that is what we mean by understanding the consistency; that means the degree to which the new offering fits the organization existing selling and distribution strategy and how it relates to the current customer and the future customers that we are aiming at. So, we have to understand that if this was original customer segment and this was original positioning, if we now create upscale position or downscale position then there will be some impact on this and this has to be clearly understood. Of course, there can be in automotive for example, when we do marketing then we can actually these relationships maybe or rather these segmentations can be quite crisp. So, we know that there is a highly correlated with the kind of money and the kind of use the customer is looking at and therefore, there will be a quite a distinct market of for say, a mini cars there will be quite a distinct market for high level Sedans and there will be a market also for low frill four door or two door variants. And the customer may actually looking at kind of trading upwards and therefore cannibalization impact can be lower, but the cannibalization impact will be much higher when we look at something like say soap.

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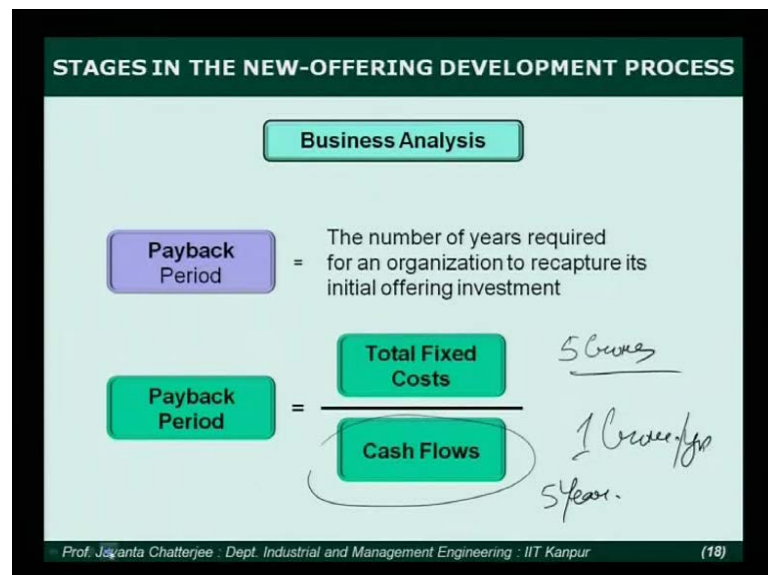
So, whenever we are looking at a new offering development process this is similar to the discussion that we have had before. I think next three four slides can be related to the earlier discussion we had with respect to new product introduction and so on. So, the same point comes up here that there can be several new ideas; that means it can be you can think about upscale soap, you can think about introducing. So, if you are a soap company. So, you can have therefore new offering creation opportunity in the soap domain, you can go into the related area which can be, say, lotions, you can actually also think about related slightly a little bit more distant but using the same kind of production technology operational capability, say, in the range of detergents and so on or that can be distant relationship with, say, cleaning fluid or bath gel or face wash. All these possibilities can be there for good soap brand and then there can be all these ideas will have to be then screened and business case will have to be analyzed, market has to be tested and commercialization can happen.

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So, business analysis fundamentally means the same points that we have discussed before; we have to look at the sales forecast, we have to look at the cost and therefore the profit and therefore things like break-even, payback and so on. These are concepts that we have discussed before but maybe we can just do it quick recap.

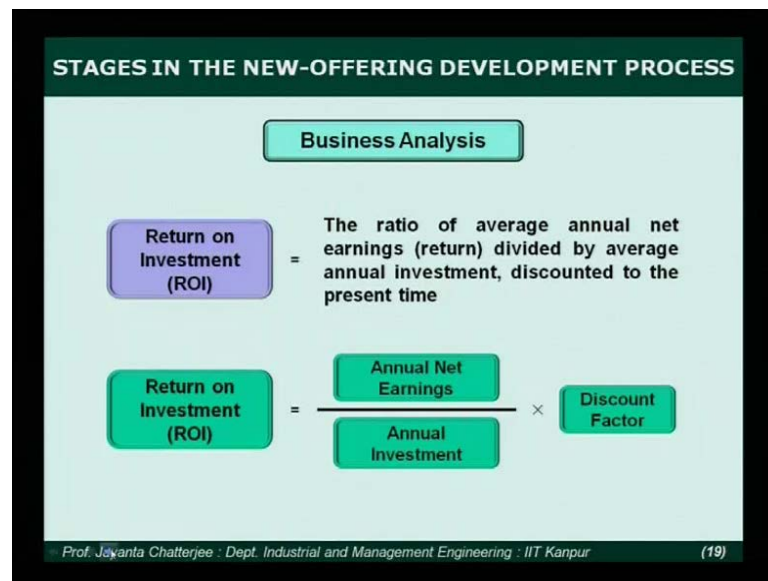
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Payback period is number of years required for an organization to recapture its initial offering investment and payback period is basically the total fixed cost divided by the cash flow. So, if you have invested 5 crores and your net cash flow is something like 1

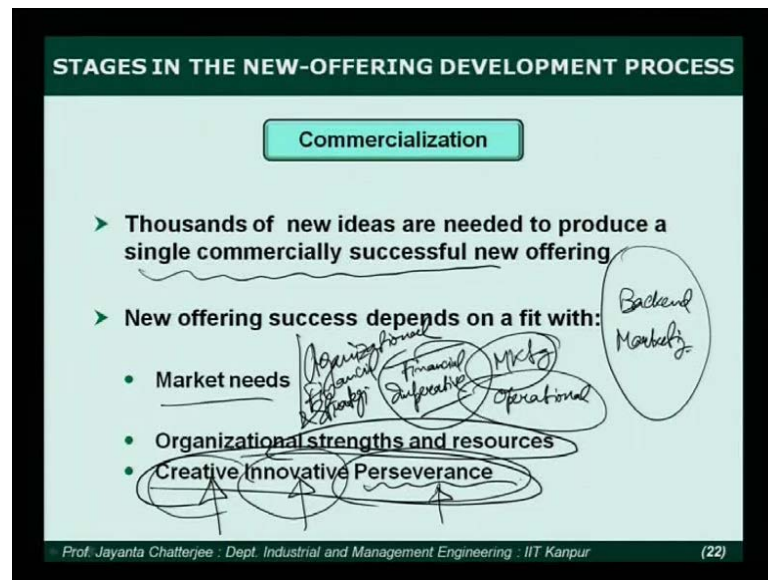
crore per year, then it is actually you have a five year period in which. So, this is your payback happened. So, you can compare whether the earlier option all these different things that we discussed, one can say this will have a seven year payback period, this may have three year payback period, this may have four year payback period, then you look at the total volume of investment that is necessary, how much money the company can spare in new products and so on.

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And of course, we must look at these concepts that we have discussed in depth before, the return on investment is another important factor that has to cover.

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So, commercialization important point is that the same point we have discussed while discussing new product marketing or market entry strategy at that point of time or in a growing market we have understood that there are thousands of ideas need to be processed to finally come up with a single commercially successful new offering. All these things happen at the back end of marketing and not visible, but this is extremely important to understand that how this is the foundation of a good marketing strategy and this is where the marketing department must be well-coordinated with operational capability and financial imperative of the company; that means if we are actually a company which is now have a cash flow constraint then you have to look at a product which maybe lower in profitability but better in cash flow terms and so on.

So, market needs as well as the organizational needs need to be balanced, organizational financial and strategic needs and they need to be seen in terms of the organization's strengths and resources and the creative innovative perseverance. This is actually another kind of interrelated but slightly different; that means some companies actually have brilliant ideas, very creative ideas, the Palo Alto Research Centre of Xerox actually has many such unique developments which they came up with, but they are now the literature talks about their lack of perseverance or they may be at that point of time they had the luxury of plenty. So, some brilliant ideas which could have caused enormous revenue and profit were actually not pursued by the company, but other companies took that idea and made grand success out of it.

A great example of that is this whole graphical user interface and the use of mouse and which actually simplified the computational the human computer interface and created enormous revenue for people like Microsoft, but might have been ignored or even some of their brilliant ideas were monetized as we call. See monetization of a creative, innovative capability depends on perseverance and execution and that is where actually when Apple is supposed to have benefited by taking ideas which originally were developed by other people but making a significant development on top of that.

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POSITIONING OFFERINGS

Making the Positioning Decision

The choice of which positioning strategy to use can be made by answering the following:

- Who are the likely competitors, what are their marketplace positions, and how strong are they?
- What are the preferences of the target consumers and how do they perceive competitors' offerings?
- What position, if any, does the organization already have in the target consumers' mind?

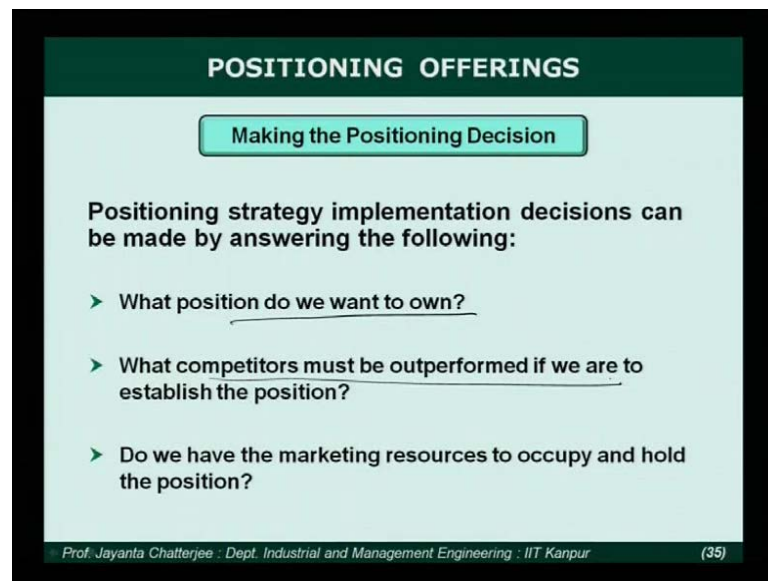
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So, making the positioning decision therefore will be depending on again all those W and H questions that who are the likely competitors, what are the marketplace position of those competition and how strong are they, what are the preferences of the target consumers and how they see that offering. So, I think this can be we had discussed in while we discussed service marketing that when we take say for example, creation of a new hotel chain within a bigger hotel brands, say, a Hyatt or Marriott and so on. So, one can actually develop this matrices based on, say, cost or price to be paid by the customer versus the features of the offering and therefore according to that you can have low-high, low-high.

So, this can be like price per night and this can be features and facilities offered, one star, two star, three star and so on. And then one can look at a particular geography that suppose this is a new hotel chain which is now looking at its entry in Bombay or Delhi or

Ahmadabad or Bangalore and they can then decide that okay, maybe there is a little medium-range price but there is a vacuum that there may be number of five-star hotels here, there may be number of guest house type of hotels here and there may be a vacuum in medium priced, medium feature business hotel and therefore, this becomes a new offering with a new positioning strategy.

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POSITIONING OFFERINGS

Making the Positioning Decision

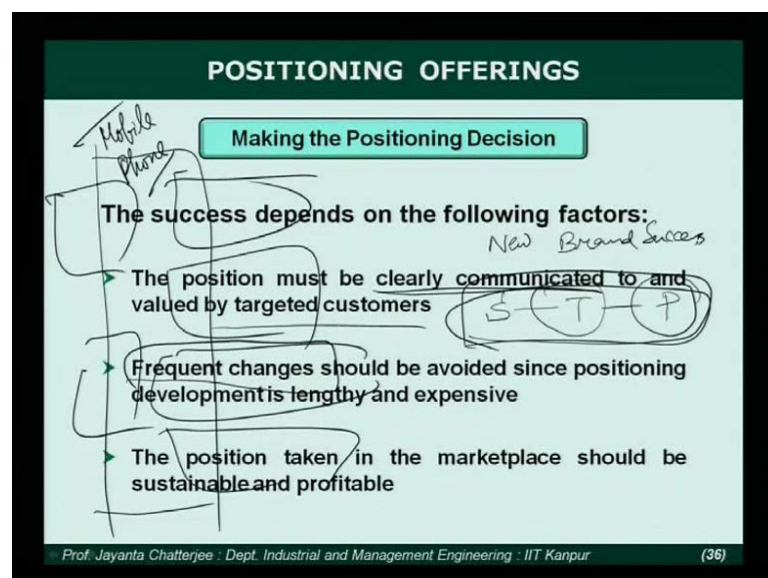
Positioning strategy implementation decisions can be made by answering the following:

- What position do we want to own?
- What competitors must be outperformed if we are to establish the position?
- Do we have the marketing resources to occupy and hold the position?

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So, those same what position do we want to own, what competitors must be outperformed, the same W and H questions will have to be answered and implemented.

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POSITIONING OFFERINGS

Making the Positioning Decision

The success depends on the following factors:

- The position must be clearly communicated to and valued by targeted customers
- Frequent changes should be avoided since positioning development is lengthy and expensive
- The position taken in the marketplace should be sustainable and profitable

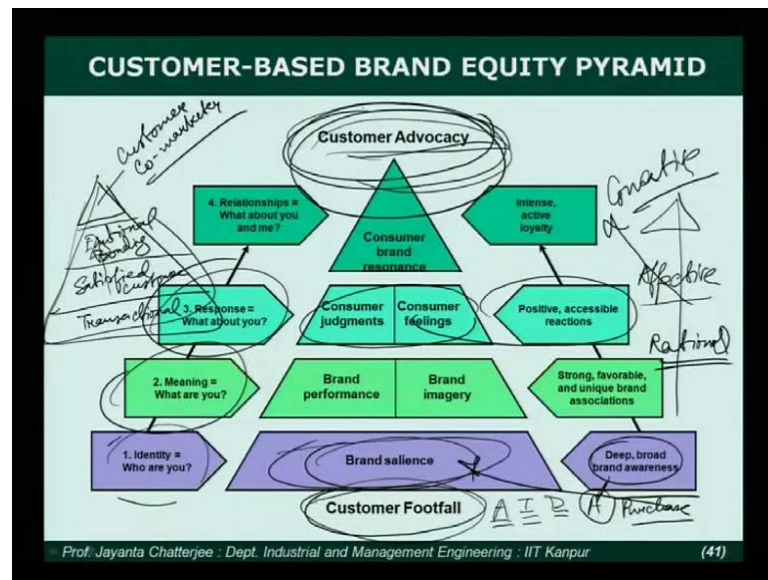
Handwritten notes: Mobile Phone, New Brand Success, S-T-P

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Both position as well as creating a new position, creating a new brand, creating and expansion of the current brand, creating additional position for the current brand, these obviously always will depend on very good marketing communication and clear statements with respect to STP execution. So that means, the segment must be clearly understood, how they are to be targeted and therefore how your position strategy will be will determine finally the new brand success. And of course, as usual it applies to all marketing strategy decision that frequent changes can be accepted if you are in mobile phone business but because you can actually as we can see from Samsung strategy that you can have a strategy to straddle every price point and every kind of segmentation, but that strategy which is quite okay for mobile phone may not be the right strategy for, say, hotel line-up or even in case of computers. So, as we said there is an Apple type of strategy and there is a Samsung type of strategy.

So Apple type of strategy, it remains very clearer in the kind of customer. So, their products are usually higher priced, they do not normally have many price points in their offerings where as we have the Samsung strategy which has an enormous range from 3000 rupees phone to a 40000 rupees phone and therefore there can be whereas in case of Apple there may be only two variants or three variants at the time and so both strategies are valid. It depends on how you are perceived and what is your STP strategy. So, if you are in a mass-market oriented strategy then you can have number of additions but within that same position, frequent changes or also sometimes customers are reacting against it; in an earlier discussion we have talked about the customer retribution now against forced obsolescence. So, those are to be understood.

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So, finally this is kind of both for offering as well as for brand building. We have talked about this that in all activities ultimately we are looking at how we can have customer footfall in a store or customer footfall or customer first interface with your frontline, be it your retailer, be it your direct sales force, be it you exclusive showroom or be it a bazaar. In any case your original marketing activity can actually satisfy the awareness and the interest; even it can actually sometime create the desire. So, this we have discussed this AIDA model but this action of purchase action; that means when really the exchange takes place at that stage definitely therefore the brand strength, the brand salience all those are very important. So, this awareness brand awareness and from there this purchase action, but this stage is not enough today. Achieving this position; that means your brand is the first one that comes to the mind of the customer that at 20 years back was enough because the competitive intensity was far less.

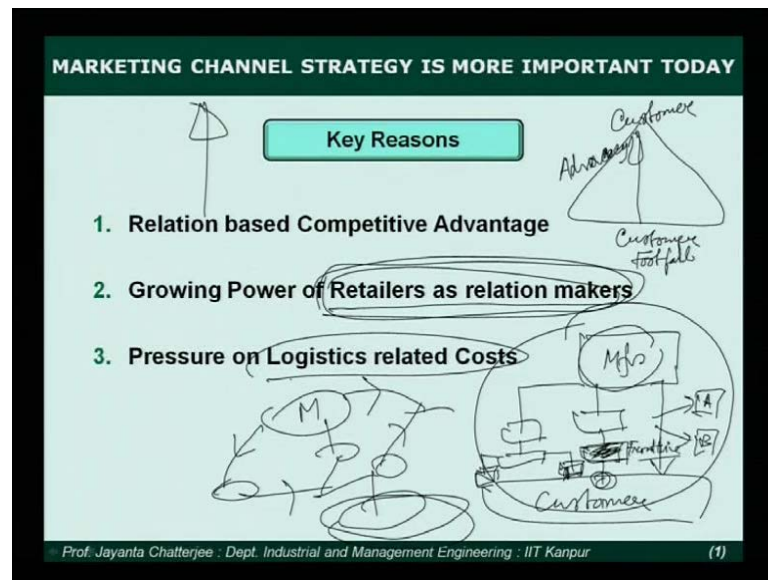
That customer might have been looking at three options and if your brand came to his or her mind first, you had achieved a big success in terms of marketing strategy. But today we know that what we are looking at is not the customer footfall only, but we know that we are ultimately looking at climbing across this pyramid and finally achieving what we call customer advocacy. So, we had discussed this before on a simplified pyramid that form the original transactional relation a transactional interface we are looking at relation building and so this stage we look at from satisfied customer, we look at emotional bonding with the customer and then we look at how to make customer your co-marketer

or we also call it the co-opting the customer in your marketing strategy and which means the custom actually talks to other people, shares his or her experience on social media.

The word of mouth today is very powerful much more powerful marketing tool or marketing asset because the media the information and communication technology magnifies an individual customer's opinion many fold. So a single disturbed customer, dissatisfied customer can today cause a big impact on a particular brands position in the mind of the potential customers. So this referral power, this opinion power in the hands of the customer is now enormously more powerful than it used to be and therefore, conversely if you have a customer who is favorably inclined towards your products and services talks about his or her experience which actually was superlative, then you can achieve this ultimate aim and how do we go from this stage to this stage is we have to go through these. The simple way of looking at is that from satisfaction how to create the emotional relationship and all that will depend as we said the brand must have an identity, it must have meaning; it must be a very clear response mechanism should be there with respect to consumer judgment feeling. This is called the emotional or what we call the affective area of consumer behavior.

So, from this maybe a stage of rational cognitive areas of consumer behavior, from that we have to go to the affective and finally to the conative behavior, achieve that to achieve this customer advocacy. So, all brand building, all offerings strategy, diversification of offering or narrowing of the offering create more adjacent positions with respect to your offering or brand whether we have more sub-brands, whether we have promote the cooperate brands, all of that will be guided by this particular pyramid strategy. So, we are discussing in this module the eleventh module the related concepts of brands offerings and how to reach the market with those offerings and therefore, the issues relating to marketing channel. Today we are discussing some additional topics some advanced topics; just as we discussed some additional topics with respect to brands and the interrelationship between brands and offerings and how to build a long-term branding strategy. Similarly we have to look at some of the advanced issues of marketing channels and how they can enhance the brands and the offerings.

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So, the channel strategy has actually become more important today than before. In a way earlier your distributors, your marketing channel partners had a subservient position. The manufacturer was dominant and the distributor was actually in a service mode to the manufacturers. So, they are even called sometimes principles and agents; principles were the manufacturers and agents were the distributors. In literature we looked at that sort of dyadic relationship. Also we used terminologies in many others; that mean they were called principal and the partner terminology gave more prestige to the distributors. So, they were maybe 10 years back we had already started using the word channel partner as opposed to distributors or agents or brokers and so on.

We basically club them under different types of different categories and groups to routes the market which we had seen diagrammatically if you remember we had already that if this is the manufacture and if this is the customer, then we had seen this diagram that I can reach them directly, I can reach them through two-stage intermediation or they can be reached through multiple intermediation strategies. But today we have talked about the agents and brokers and this is there in earlier slides set that you have already seen, but today the marketing channel is in a way this diagram which is hierarchical and therefore puts the manufacturer at a higher level in relative power position may have to be redrawn as kind of giving them a round table architecture.

That means there is a whole customer base and the manufacturer can take different routes to reach that customer base and retailer therefore, the front line the people here right at the final stage with a customer interface, the front line partner is actually today becoming more powerful because of this whole issue about the pyramid that we had seen that from customer footfall or customer first interface, we are trying to reach customer advocacy and we have now clearly understood that this possibility of reaching customer advocacy depends a lot on the frontline the retailer. So, the retailers are now being looked at as relation makers and of course there are also financial issues which enhance the power of the channel today.

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A SUSTAINABLE COMPETITIVE ADVANTAGE IS BECOMING MORE DIFFICULT TO ATTAIN THROUGH:

- **Product Strategy-**
rapid technology transfer enables competitors to quickly produce similar products
- **Pricing Strategy-**
global economy allows competitors to find low cost production to match prices
- **Promotion Strategy-**
high cost, clutter, and short life promotional campaigns limit competitive advantage

Handwritten notes and diagrams on the slide include: a graph showing a bell curve with a peak labeled 'Relation', a circle labeled 'Relation', and a line labeled 'Attention'.

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The other important point is that the other P's if we get partner as another P from the original cluster or four or five P's, then product strategy is no longer today enduring strength because rapid technology transfer and the global network of technologies very quickly create me-too products and competitors respond to your advanced features quite quickly today. So, product leadership is not an enduring strategy. It can give you a temporary benefit but because most product life cycles are not like this but they are more like this today. So, the product leadership is not a sustainable long-term sustainable competitive advantage. Similarly pricing because the global economy such that it equates, it brings down costs, creates an enormous pressure on your cost line. So, people who have only the operational excellence of continuously lowering their cost, reducing

their waste, taking out every penny every paisa from their value creation activity on the whole.

So, therefore that optimization is a continuing process and the people who have operational excellence they achieve that and therefore, if you remain as a player then that cost reduction is a primary aim is a primary activity and it has to be part of your marketing strategy understanding that you cannot retain a high-price position for long, unless you are in an exclusive market like a perfume or a Louis Vuitton or YSL and so on. So unless you are in fashion, unless you are in a very exclusive marketplace for most B to C and B to B market situation pricing also cannot be neither product nor price can give you long term. So, we have already talked about therefore the most important thing today is relation. This is what actually creates a long term competitive advantage and creating this long-term relation draws from the brand and strength; on the other hand this is actually the way to build the brand, it has relationship with your corporate ethics, your overall image and so on that we have discussed in the previous segment.

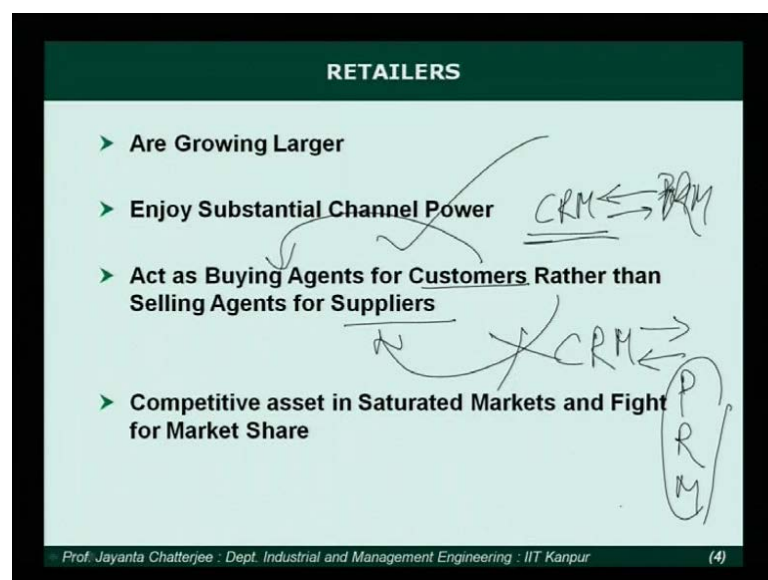
So, promotion you know that media is so cluttered, people even say today that the most precious thing is attention. So, customer's attention because there are so many TV channels, there are so many newspapers, there are so many magazines and there are so many exposure of the customer through the various kinds of information and communication technology challenges over telephone, over mobile phone, over internet. So, there are if a customer or if a buyer 15 years back had one hour engagement in a day or three hours engagement in a day or five hours engagement in a day with the media; that means even if you are a couch potato and spend a lot of time watching TV and therefore, one could be multiple market messages to you. Today the situation is that the customers are engaged with the media may be ten hours, twelve hours a day and in that scenario it is very difficult to beam across your marketing message. So, promotion today is very high cost, there is lot of clutter and therefore it really does not have a very long range impact.

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So, superior marketing channel strategy today is a key competitive advantage. The reason is that this is not so easy for the customer for the competitor to replicate. So, product positions can be replicated by competitors, pricing strategy, promotion, all of these can get depreciated quite quickly but a channel strategy based competitive advantageous position is not so easy to replicate.

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Because the frontline the retailers are becoming larger. So, as we have more organized retailing, as we have malls, we have big stores, we have hypermarkets, we have very

large retailers, we all know about Walmart or Carrefour or Big bazaar and such companies. So, they have substantial power in the minds of the customer. So, if there is one campaign by Big bazaar for the cheapest day in the week. So, Wednesday which used to be a low footfall day has now become a very crowded day and on those days they can the retailers can exercise and a lot of power by way of bundling and different other strategies. So, today in many ways the retailers are not the agents of the suppliers, but the relationship has changed and they are the relation maker between the customer and the supplier.

So, they actually act now more on behalf of the customer rather than on behalf of the supplier. So, this is what is giving them the power and this also if you have good relationship with your channel partners who actually create the buzz around your product they give preference to your products and services in their bundling strategy, then they can creative a much stronger connect with the customer. So, the relationship marketing that is why as we said CRM is very closely correlated with PRM; that is partner relationship based marketing and customer relationship based marketing are very synergistic today. So, we are discussing about PRM today. So, The PRM is a very strong enduring competitive asset in a quickly saturation market of today and in the fight for market share.

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SOME BALLPARK EXAMPLES...					
	Autos	Software	Petrochem	ICT Products	Packaged Foods
Distribution	15%	25%	28%	30%	41%
Manufacturing	40%	65%	19%	30%	33%
Raw Materials and Components	45%	10%	53%	40%	26%

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And there are also some interesting ballpark examples; these numbers may be different in different countries but more or less the structure will remain the same. So, if you take packaged food product today which is a very large market and an extremely rapidly growing market in a country like India, the raw material and component will be only about 26 percent and the distribution cost will be about 41 percent. Now this number may change to 39 percent, this number may change to 45 percent and accordingly these factors will be adjusted but you can see the general dominance of distribution in package food and it is quite easy to understand that if you have a ready to cook packet of noodles the ingredients the flour or the wheat flour and the other spices and etcetera and the manufacturing process and overhead and all that put together in that will be if it is selling for 10 rupees, then you can easily understand that that cost the ingredient cost as it happens in most food products will not be more than 25, 30 percent.

Whereas the distribution the cost of reaching to the village interior, the cost of reaching out in a large country like India and in some products have to reach out to the whole globe to be successful. So, if you have a cosmetic product today you have to think in terms of global at least a continental like across Southeast Asia, South and Southeast Asia, across Middle-east and North Africa. So, you have to think of not a country boundary focused or a state focused, you have to have a strategy in many of these products because your scale of production will have to be huge to be really a strong player. So, in automotive while 85 percent of the cost will be in raw material components and manufacturing the distribution may be 15 percent, but in package food as you can see and similarly there are other examples were for example in ICR products also the distribution cost can be a very, very significant part.

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Distribution Channel Strategy should receive especially heavy emphasis if :

- Parity exists among competitors in the other three marketing mix variables *Product Price Promotion Partners Strength*
- High degree of vulnerability exists because of competitors' neglect of distribution
- Distribution channel strategy can foster synergies

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And therefore, if you actually create a strong relationship with your channel partners, if your distribution is strong, then even if there is the parity among competitors on product and on price or promotion, the partnership strength can give you a very strong position. That is why while say for example in mobile phones, the erosion of market share in the recent past of some people some of the manufacturers it has been quite rapid in western countries, but in India some of these original strong players still enjoy, their market erosion has been far slower in the Indian market because the strong distribution channel position they had created. For example, Phillips as a brand of consumer electronics had a rough patch for the last 8, 10 years but still enjoy a strong channel relationship and that allows them to come back and create new value streams in the Indian marketplace again and again.

So, also it is to be understood that distribution channel strategy; that means if you have a strong relationship like Larsen Toubro with their distributors in, say, electrical starters and contactors and relays, they can use that relationship synergistically for their strong entry into the, say, facility access or facility security business. So, when the distributor can be trained for these advanced products, automation products, building automation, energy management products, then these original distributors channel partners who have been associated with Larsen Toubro for decades can create very rapid entry in marketplace for a company like that Larsen Toubro. So, you can see therefore distribution channel strategy can be a huge asset in your market expansion, brand

offering expansion, offering line introduction, new trading, upward trading down strategies, the channel partnership can be very, very powerful tool and on the reverse side if your channel relationship is not well structured it can actually create a vulnerable position.

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THE MOST BASIC QUESTIONS IN THE DESIGN OF MARKETING CHANNELS

- When Do Customers Buy?
- Where Do Customers Buy?
- How Do Customers Buy?
- Who Buys?
 - Who makes the actual purchase?
 - Who uses the product?
 - Who takes part in the buying decision?

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We have discussed this slide already before that how you will you design your channel strategy; again we have to focus on those W and H questions, when do customers buy, where do they buy from and who makes the buying decision and so on and so forth. So, this we have discussed before.

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SUPPLY CHAIN MANAGEMENT AND PRM TO CRM:

A long-term “partnership” among marketing channel participants aimed at reducing inefficiencies, costs, and redundancies in the logistical system in order to provide high levels of customer service

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So, a long-term partnership among marketing channel also can actually reduce inefficiency, costs in the system.

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A TRADITIONAL SYSTEM AND A PRM BASED SYSTEM

Factor	Traditional	PRM System
Inventory Management	Distribution management	Joint Effort to Reduce Channel Inventories
Total Cost Approach	Independent Effort Minimize Firm Costs	Channel-Wide Cost Efficiencies
Time Horizon	Short-Term	Long-Term
Information Sharing and Monitoring	Limited to Needs of Current Transaction	Continuous Effort to Gather and Monitor
Joint Planning	Transaction Based	Ongoing
Compatibility of Corporate Philosophies	Not Relevant	Important for Major Initiatives
Channel Leadership	Not Focus	Required for Coordination and Focus
Sharing of Risks and Rewards	Each Channel Member on Their Own	Risks and Rewards Shared over Long-range
Inventory Flow	“Warehouse” Mentality Storage Safety Stocks	“Distribution Center” Orientation-JIT, Quick-Response, Cross Docking

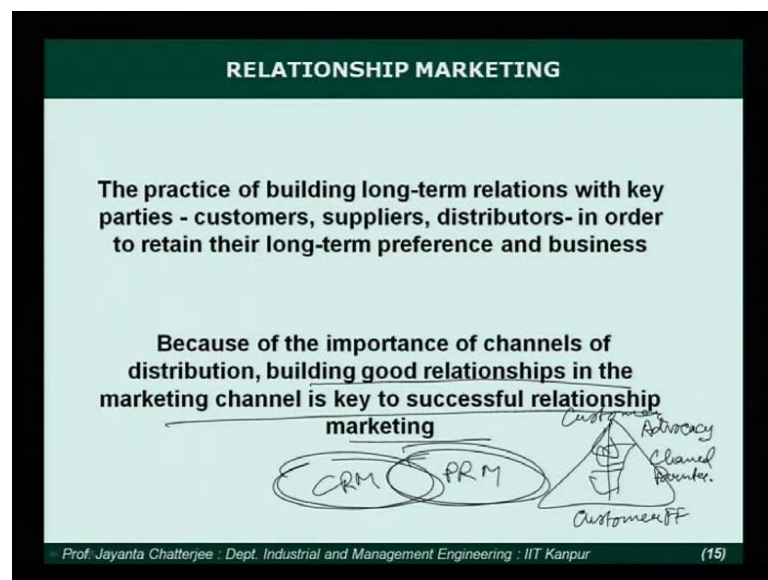
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We will see at that the traditional system was kind of week versus day system. As I said that it was actually the manufacturer there was a manufacturer and the distributor and therefore, there was a principal and agent type of relation, the distributor was looked in a subservient manner and therefore, often it was actually a transactional relation rather than a long-term relation. So, today therefore in the PRM system the manufacturer and

the channel partner jointly try to reduce the inventory in the channel. So, there is a channel-wide cost efficiency approach as opposed to two separate effort to minimize the cost and so instead of transaction based today we have an ongoing relationship and the IT systems, the ERP systems are often totally interconnected between the manufacturer and the channel partners and so from the warehouse mentality; that means looking at distribute as a sort of stock and forwarding warehousing type of image.

So, we are actually looking at concepts like JIT, quick response, cross talking. So, instead of looking at inventory cost minimization separately at the manufacturer and at the distributed end, today we are looking at the whole channel as an interconnected system and when we look at optimization of inventory cost we look at the entire supply chain. So, this traditional system to PRM based system is a important part of marketing strategy today because it reduces the marketing cost, improves the ROI on your marketing expenses and on the whole ensures a strong competitive position for the organization which can be an enduring asset as opposed to just product-based strategy or price-based strategy or promotion-based strategy.

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So, to conclude therefore relationship marketing is the CRM principles and the PRM principles today must be seen together because of this increasing importance of distribution channels and building good relationship in the marketing channel is the key to successful relationship building with the customer. So, from the customer footfall

strategy to customer advocacy strategy you have to walk hand-in-hand with your channel partners and that is the meaning of CRM and PRM integration in your channel strategy.