

Indian Institute of Technology Kanpur
National Programme on Technology Enhanced Learning (NPTEL)
Course Title
Marketing Management – 1

Lecture: W1.I.3
Introduction To Marketing

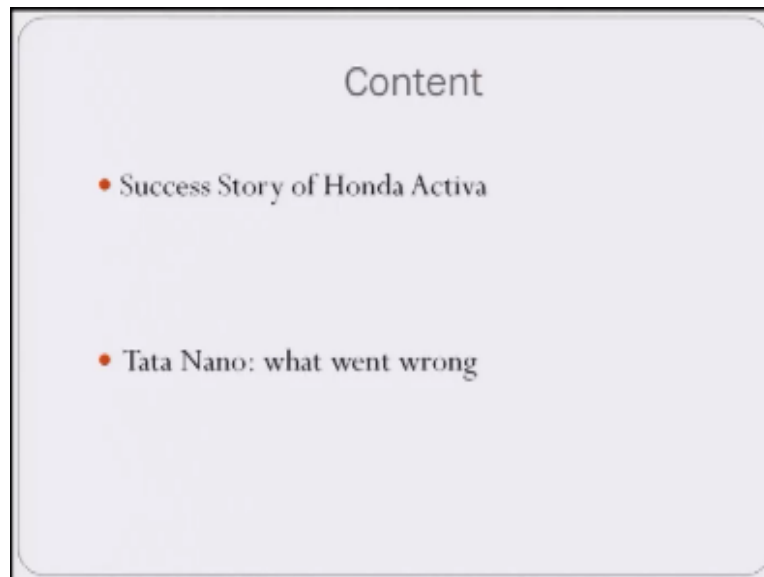
by
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Prof. Jayanta Chatterjee: Hello, welcome to our next session on introduction to marketing. In the last few sessions we have discussed about the fundamental concepts of marketing. In the last session we looked at the strategic part of the marketing, and the tactical part of marketing. In the tactical part of marketing we discussed about the prominent concepts of marketing mix, the famous constructer four piece that is where we sort of ended the last session.

In this session we plan to take up specific examples from the field of product marketing, and from the field of services marketing to illustrate those fundamental concepts and the tactical part of marketing. In doing so we will be citing examples of companies and products, but please understand that these examples are only to illustrate our concepts and to consolidate your learning.

Our aim is not to endorse or to criticize a particular company or product, it has to be taken completely in the spirit of an academic discussion for illustration. So our first part will be on product marketing, and Dr. Shashi Shekhar Mishra will be explaining two interesting cases.

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Dr. Shashi Shekhar Mishra: Hello, so I will be talking about two cases from the products side and the first case is a very fascinating story about success of Honda Activa in Indian market. And then we will also talk about a very famous product from Tata that is Tata Nano, and we will try to understand what went wrong with Tata Nano, that product could not do well in the market.

And probably by discussing these examples we will just try to illustrate what we have discussed in the previous two session, and what is the role of marketing, and how probably the different activities in the marketing affects the overall success or the failure of the product in the market. So I am going to discuss first as Honda Activa.

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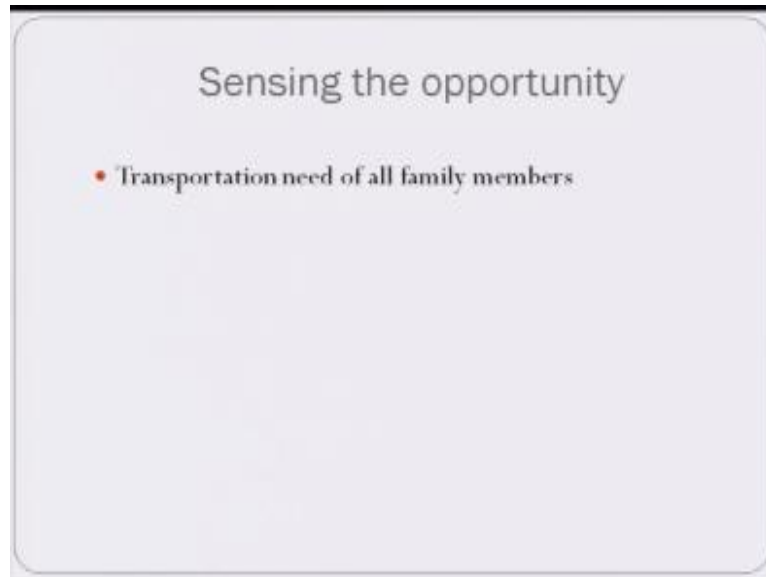
Dr. Shashi Shekhar Mishra: Honda Activa was first launched in June 2001, and the company has done a lot of basically background work, it has tried to understanding the Indian market, Indian consumers.

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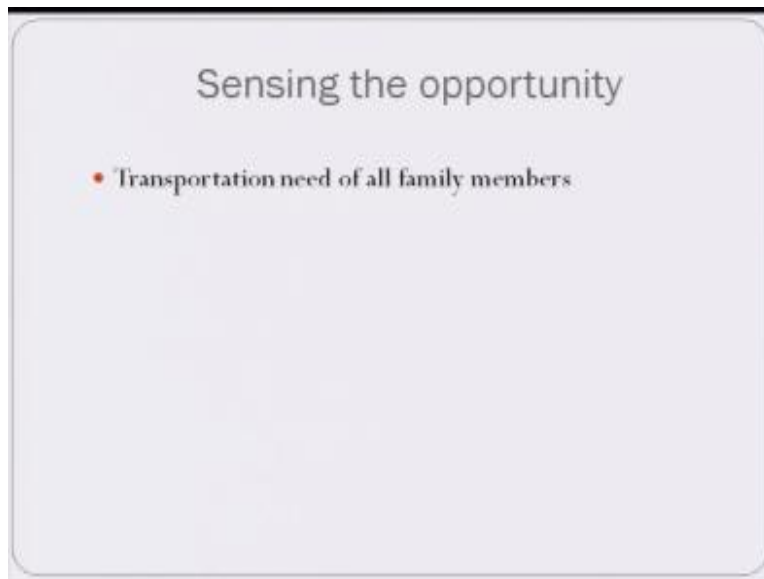
Dr. Shashi Shekhar Mishra: And they have launched this product, this product has been a huge success in India and it is one of the top-selling models, top selling two wheeler product in Indian market which has crossed that one crore sales mark. So basically we will try to understand what has made probably and what has gone in the basically, the success of this product. So what is very essential here to understand is that how the company has understood an opportunity and how it has exploited that opportunity.

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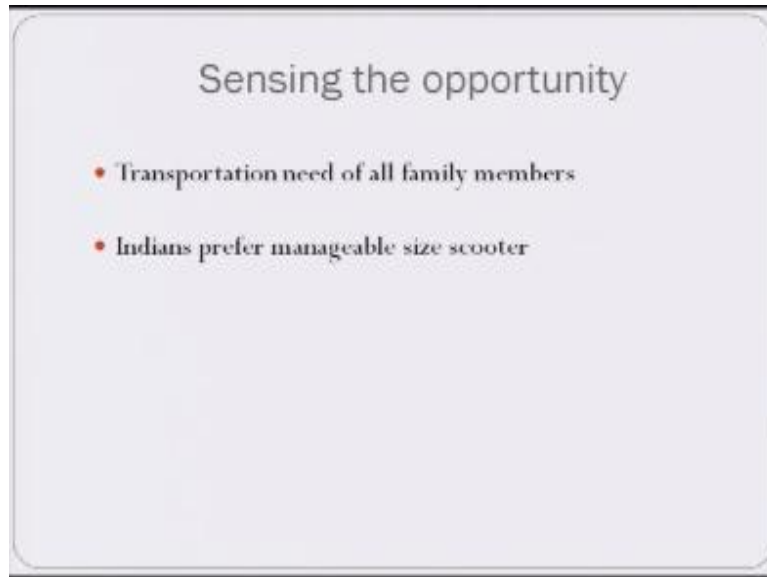
Dr. Shashi Shekhar Mishra: So Honda basically has understood that there is a large growing middle class in India. And how basically their transportation needs are shaping up with the time.

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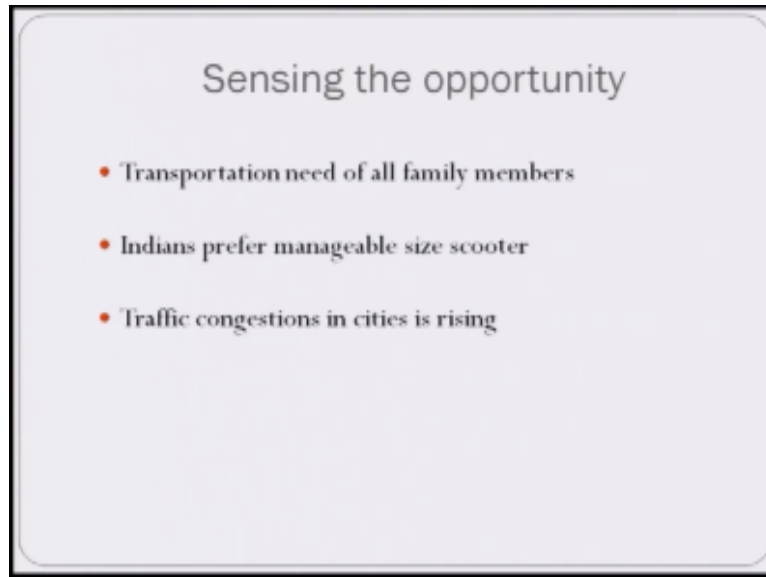
Dr. Shashi Shekhar Mishra: And they have identified that vehicle is probably is required not by only one member in the family, I think the vehicle is probably required for more than one person in the family. So probably the husband and wife both wants to have a vehicle for their transportation needs okay.

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Dr. Shashi Shekhar Mishra: One of the other reason probably is scooter's were very popular in India in earlier time before the motorcycle was because of their manageable size with the Indians. So that was another thing that has made scooter a success, but by the time in the late 90's actually scooters were on the decline and motorcycle was the most dominating form of product which was there in two wheeler market.

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Dr. Shashi Shekhar Mishra: Honda came and then they have revived this market with this Honda Activa. One of the reason probably for launching this product was that this product was very good for the city drive because when you have a traffic congestions in the city then probably a product, a four wheeler is not that easy to probably move or probably will not have enough parking space.

At the same time if you have a vehicle in congested areas or probably with a heavy traffic, then probably having a vehicle with gears and when you have to move your gears it may not be that easy to drive. So understanding these things and the trends in the society, the demographic trends in the society.

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Dr. Shashi Shekhar Mishra: As I have already said, there was one more thing which was happening probably particularly in urban areas was or probably in the metros was, there was a limited parking space in the traditional shopping areas, like if you go to buy vegetables and go to buy vegetables in the market, you will probably not have sufficient space to park your car okay. So probably there a two wheeler is a better option.

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Dr. Shashi Shekhar Mishra: Another thing probably which Indians want is that the low maintenance costs over the life cycle of the product and fuel economy comparable to probably other product class like motorcycle, so understanding all these things Honda came out with this scooter in early 2000.

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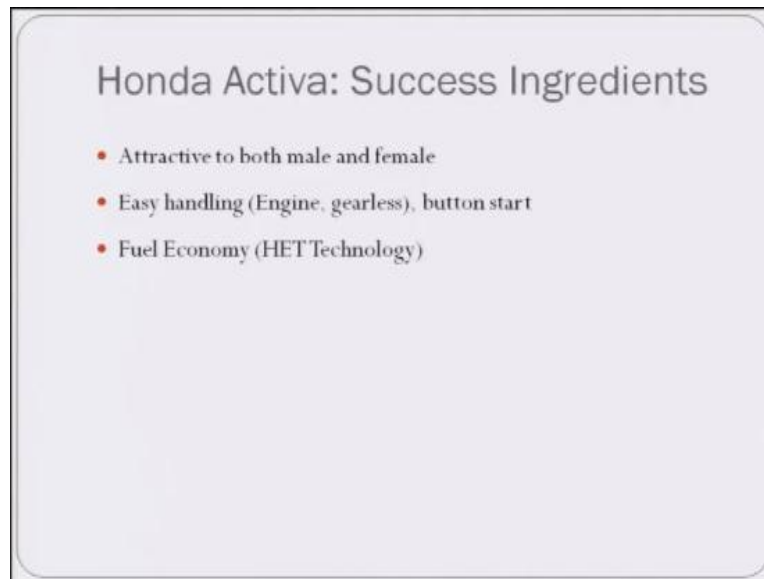
Dr. Shashi Shekhar Mishra: It came out with certain features which was suited to those requirements, like this product was probably suitable for both male and female so probably while husband can drive to his office or for his work at the same time the housewife can use it to do her domestic job also, or maybe both can go to their office or whatever work they want to do.

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Dr. Shashi Shekhar Mishra: Another thing which was probably a very important ingredient for the success of this product was that engine was probably designed and catered to the needs of the probably Indian roads and Indian condition and since it was a gearless vehicle there was no hassle in changing the gear when you are probably stuck in a basically crowded place, and it also has features like button start which is probably more preferred by a probably female population, Honda also.

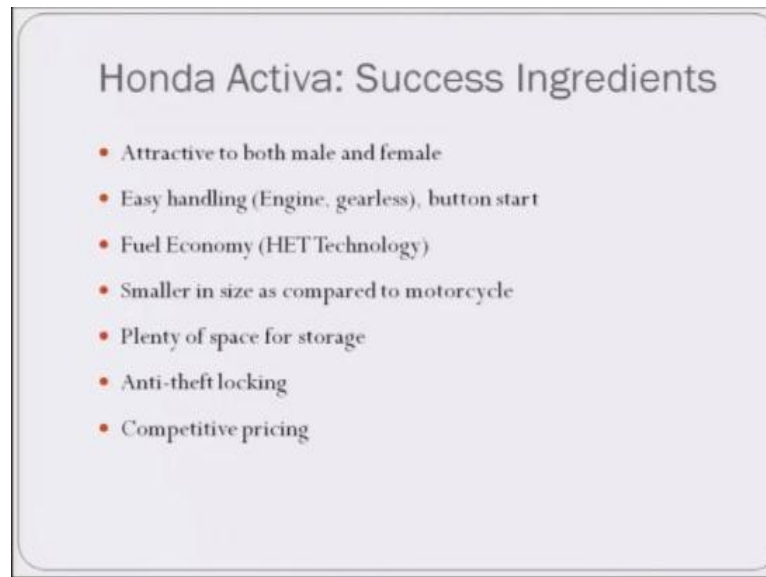
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Dr. Shashi Shekhar Mishra: Continuously probably kept on basically improvising on its product and they have launched a number of upgraded version of a Honda Activa, so they came out with this recently this Honda eco technology which makes it very fuel-efficient, and as per the claims the product gives a fuel economy of more than 60 kilometers per liter so it is as good as probably a motorcycle, so that edge of motorcycle as a product class has been eroded by this technology from Honda.

As I said again it is probably smaller in size and easy-to-manage, so probably it is also preferred because of this reason. Another very important feature which this scooter has that it has lot of a space under the seat and probably, probably along with the body of the vehicle you can attach additional probably storage space. All those things have provided the storage space which makes it very good for taking it to the probably small places and getting things from there and it came out with some of the features like antitheft locking which was probably.

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Dr. Shashi Shekhar Mishra: Meant or probably customized to the local needs of markets, then the pricing was very competitive, if we sum up all these reasons we found out that understanding the probably the trends in the society, the needs in the society of the customers, their environment, and their transportation needs they have basically come out with the features in a product that suited that market,

Prof. Jayanta Chatterjee: So I think I then therefore this example tells us about all the four P's that we discussed. You explained various features about the product so one of the four P the first P is product, product features which must respond to the researched need of the customers, the second you also discussed about there the way it was promoted by highlighting some of these features.

Dr. Shashi Shekhar Mishra: HET

Prof. Jayanta Chatterjee: Like anti-theft locking and we also discussed about the specific aspect of pricing and there as you rightly explained it is not only the price which upfront the customer was paying for the scooter but also the running cost.

Dr. Shashi Shekhar Mishra: Yeah.

Prof. Jayanta Chatterjee: Which is another element of price.

Dr. Shashi Shekhar Mishra: Yeah.

Prof. Jayanta Chatterjee: As we discussed in the previous session that when we look at cost

Dr. Shashi Shekhar Mishra: Yeah.

Prof. Jayanta Chatterjee: There is a first cost and there is the running cost

Dr. Shashi Shekhar Mishra: And there is a maintenance cost, so there are three cost.

Prof. Jayanta Chatterjee: Which we often talk about as total cost of ownership.

Dr. Shashi Shekhar Mishra: Total cost of ownership.

Prof. Jayanta Chatterjee: So, so this example illustrates the concept of price and how the different parts of price, the upfront price as well as the running cost, maintenance cost, etc were taken care of in this success example. The product features are being talked about and maybe we will also talk about how they distribute it, how they actually looked at the tier 2 market, your tier 3 market.

Dr. Shashi Shekhar Mishra: And they are upgrading their service network so which provides probably a very good service, after sales service and the cost of maintenance is very low probably and that basically we it takes us back to the core concept of value where the products benefit are much higher than the cost which costumer has to pay, so the value that is being created by this product is very high in the customer's perception and at the same time it also illustrates what we were discussing yesterday that in that marketing as a set of activities in a

process where we were talking about creating communication and delivery how important or what is the role of this creation.

So understanding the needs, the needs, the consumption environment of the customers. And probably coming out with the product that suits to those requirements are being illustrated through this example.

Prof. Jayanta Chatterjee: Excellent.

Dr. Shashi Shekhar Mishra: So will move to the basically next example which is another very fascinating story from our country that.

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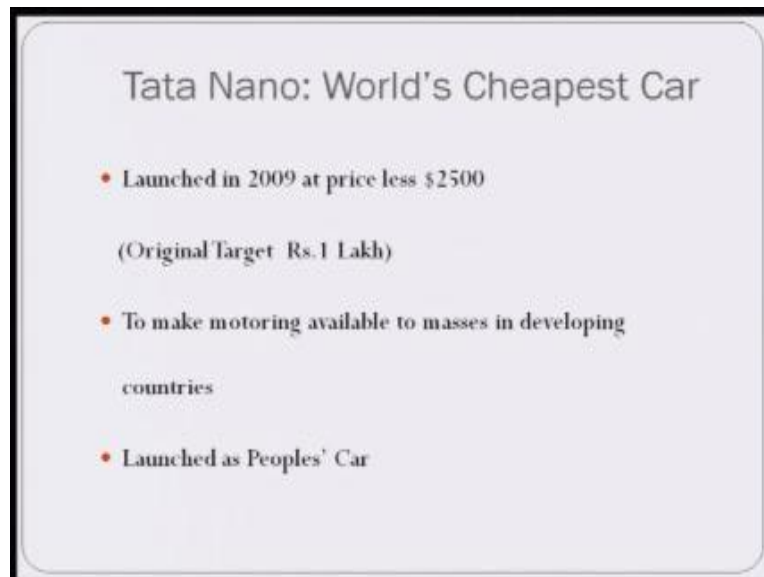
Dr. Shashi Shekhar Mishra: Tata first time tried to basically come out with a product. So the next case study which we are going to discuss is another fascinating story from India is our Tata Nano, Tata Nano was a very popular product which was launched at that point of time.

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Dr. Shashi Shekhar Mishra: It has a huge waiting line at the time when it was launched then, but the product did not do well later on. So some of the things which we know about Tata Nano was that the product was launched at price less than two, target price of less than \$2,500.

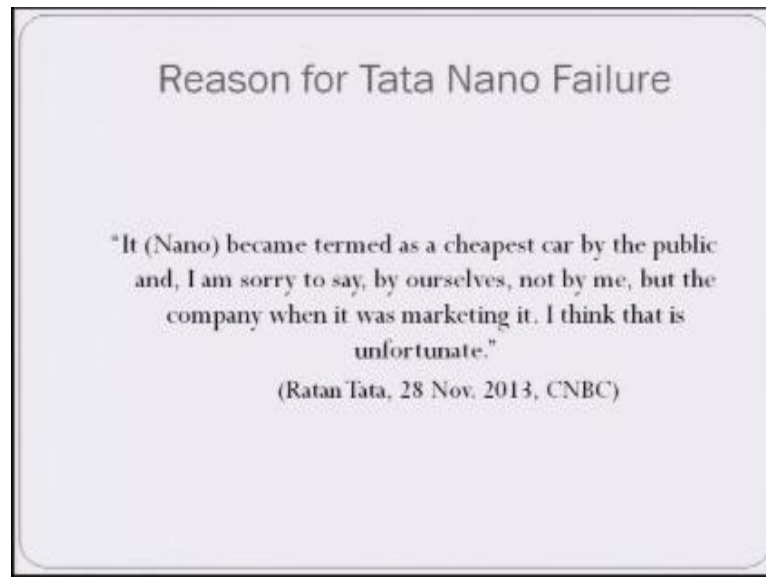
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Dr. Shashi Shekhar Mishra: So roughly around 1 lakh and that is where the product was also termed as a people's car. There was lot of buzz around the product, the product was talked about around the world, it has automatically got on its own lot of publicity in the media and it has got lot of basically attention from the different sections of the society.

Because it was aimed at changing the way transport, the transportation is being accessed by the masses in India. So this vehicle was designed to be made available to the large population of developing countries like India. Tata has a plan to basically market it outside India into many developing countries, however product did not do that well. So what has caused basically the failure of that product, in his own word and admission.

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Dr. Shashi Shekhar Mishra: Mr. Ratan Tata has stated in 2013 that Nano became termed as a cheapest car by the public and I am sorry to say by our self not by me but the company when it was marketing it, I think that is unfortunate. Being a people's car, being a cheapest car it has become its own problem, that product being termed as a cheapest car.

So in a country like India where basically car is a status symbol which is probably attached with the aspirational values in our society car, being a car owner also represent that a person is successful and probably has money or probably a social status, and the product being a cheapest does not match with those values and that is why its positioning was basically not correct in the market. And people were not ready to buy a cheap car, okay. And that, that made as probably a, it as a failure.

Prof. Jayanta Chatterjee: No I think the case of Nano is a classic case which you had mentioned in the opening session that when we look at the product and its attraction there are utilitarian, functional, logical reasons and needs that are fulfilled by the products. But there are also emotional aspirational, the what we call effective part of product appeal. So here is an example

where the price was right, price was attractive. The promotion was phenomenal it got attention of the whole world.

It was on the front page, on the cover page of so many newspapers and magazines, and there was a high expectation, there was buzz, yet it failed to connect to the sentiment, to the aspirational value as you mentioned and as a result to the other P's were right, promotion was right, price was right, it was distributed right but because of product and its appeal and the subliminal, the subconscious message.

That was sent out by the product did not allow it to succeed. So every important lesson from both the Honda Activa as well as Tata Nano is that the four P's when we discuss the marketing mix we have to understand that it is a system, each part affects the other part. So if you get one part wrong then the product might fail. You have to see that all the four attributes are properly calibrated. And as a system in totality it makes an impact to take it to success.

Dr. Shashi Shekhar Mishra: I would just like to add on what you are talking about, the relationship between the four P's among themselves, there is also one thing if you are positioning is wrong your marketing mix also will not do well in the market. So the marketing mix has to be aligned with the positioning and since in this case the positioning was faulty or probably that the way the people have perceived is, the target customers have perceived is, was not the way the probably the product was designed.

It also illustrate that the, the concept of value and the difference between what, what is the value inside the product and what is perceived by the customer, so if these two things are different then again you will have problem with the outcome of the product in the market. It is important that the product, I mean it is important that one should understand what, what kind of basically benefits of product provided as Prof. Chatterjee was saying.

Functional as well as emotional benefit, unlike probably in some of the developed world market where probably car is a necessity like, unlike in India where it is also a basically, there probably car is just a basically a functional need, here in India cars have the both kind of needs probably

functional as well as in emotionally lead in the form of status. Social status of the person and that is where probably this product was not aligned in with the expectations of the people. And it has not done well because of that kind of perception in the market.

Prof. Jayanta Chatterjee: And cars perhaps you know when later on we discuss about low involvement products and high involvement products, cars they will always have some part of emotional appeal, that is why whenever we discuss a car we give so much of importance to styling, to color, to aesthetics, and so on. And there was possibly a time long years back when you could actually come up you know like you mentioned the Henry Ford and the famous T Ford Model T which came only in one design, one color, and so on.

Those days are long gone, so the emotional part will be there but as you rightly said that at a low entry level car or a household truck possibly will the western market succeed based on its utilitarian value. Whereas, even at the entry level because of the nature of our economy the aspirational aspect, the emotional aspect plays significant part, and that is what we saw in case of Tata Nano.

Dr. Shashi Shekhar Mishra: Yeah, actually in fact we can think of initially probably there were two target segment, one was the two wheeler segment.

Prof. Jayanta Chatterjee: People were graduating from two wheeler to four wheelers.

Dr. Shashi Shekhar Mishra: Yeah, bike, motorcycle, scooters to the car because it was believed to be more safe and probably better where a family can move together. However probably people found that one, one of the aspect was this perception of being labeled as a cheap car and the other thing was like the probably people would prefer to buy a bike or motorcycle or a scooter, which probably is more socially acceptable then probably are buying a car at a price of one lakh.

On the other side for upper middle-class it was, it was purely a perception that it, it was not matching with their social status, because they can pay slightly more for that and probably people have gone for a second hand vehicle instead of Tata Nano.

Prof. Jayanta Chatterjee: Yeah.

Dr. Shashi Shekhar Mishra: Because their aspirational values were not matched by or made satisfied by this product. So I think these are the important learning from these two courses, which probably see meant the concept that we have learned in the previous two session and we would like to.

Prof. Jayanta Chatterjee: In the next section, we would like to discuss about how these same principles can be understood in the services market. So we will look at those marketing mix issues, we will look at the tactical part, but we will see how these same factors play out a bit differently in case of services. Thank you.

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