Marketing Management II

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Lecture No. W1- L2
Brief Recap of Basic Concepts from Marketing Management 1-II

Hello and welcome to our course marketing management part II, we are in session 2. So just to begin with we have started what we already discussed in Marketing Management part one. So, session one was about the recap of what we have discussed in Marketing Management part1.

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So, we have started this recap talking about little bit on the common myths in our society about marketing and then we started defining marketing with two different perspective, the first one was social exchange perspective or societal process what happened inside the marketing so we discussed about the **s**ocial exchange definition of the marketing where in,

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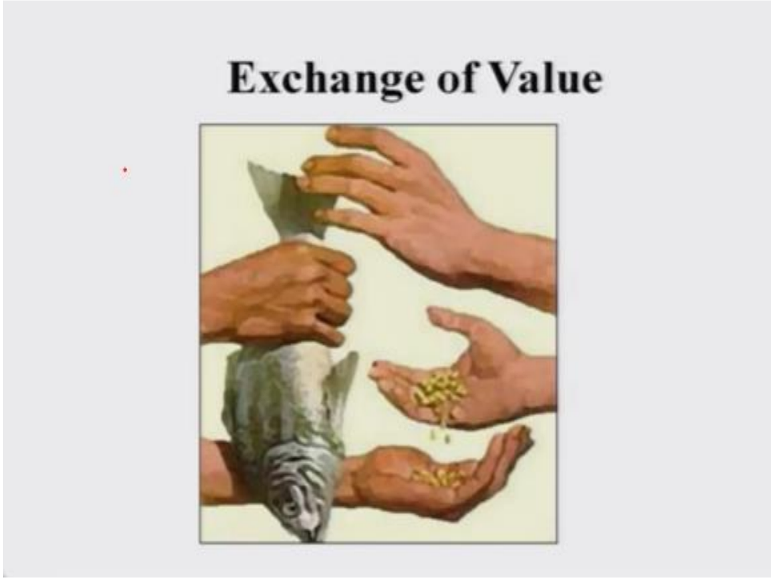

We said like basically it's an exchange of value between two parties. Then we discussed about five necessary conditions for this exchange of value to happen. There should be two parties both parties should have something of value to exchange to each other.

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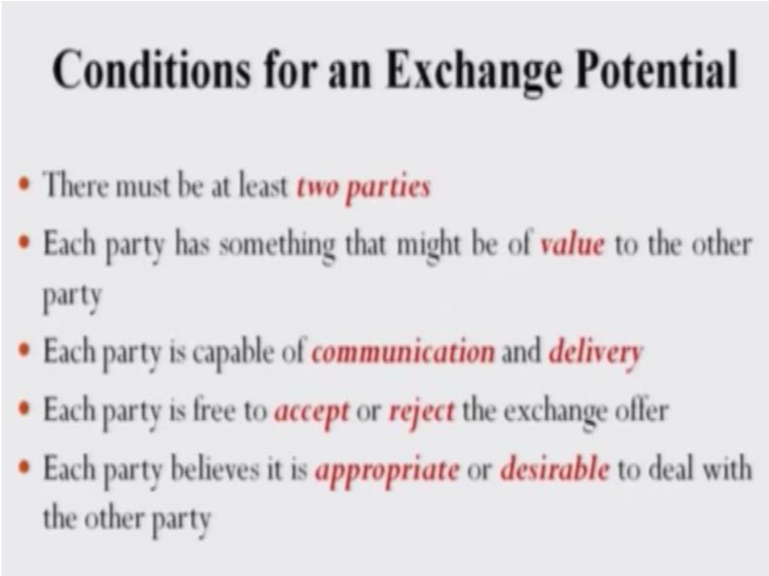

They should be able to communicate and deliver the value to each other, both the party should able to accept, or reject the offer from other side and each party should find it or believe that it is appropriate or desirable to deal with the other party. So, these are the five necessary conditions in the first perspective of defining the marketing that is a social exchange process.

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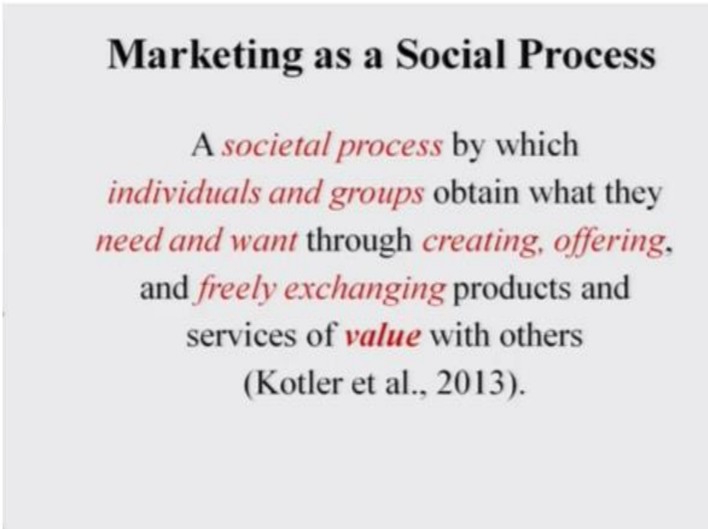

Where we defined that marketing as a societal process, by which individual and groups obtain what they need and want through creating offering and freely exchanging products, and services of value with others. Now, continuing with that definition of marketing. We have looked from the different perspective, a more commonly discuss perspective that marketing as an organizational function. So, we looked into the AMAS definition, American Marketing Association definition of marketing is.

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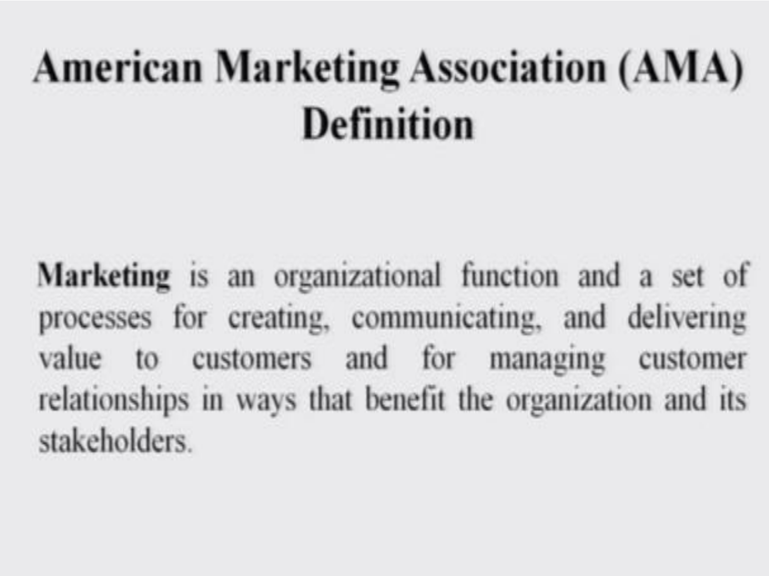

And there we see the marketing is an organizational function and a set of processes for creating and communicating and delivering value to customer and for managing customer relationships in ways that benefit the organization and its stakeholders. Now if you can understand and if you can recall our past discussion, you will understand that in both these definition whether social exchange process or whether marketing as an organizational function and a set of activities. We have discussed about that it is actually the exchange of values creation and communication and delivery of values.

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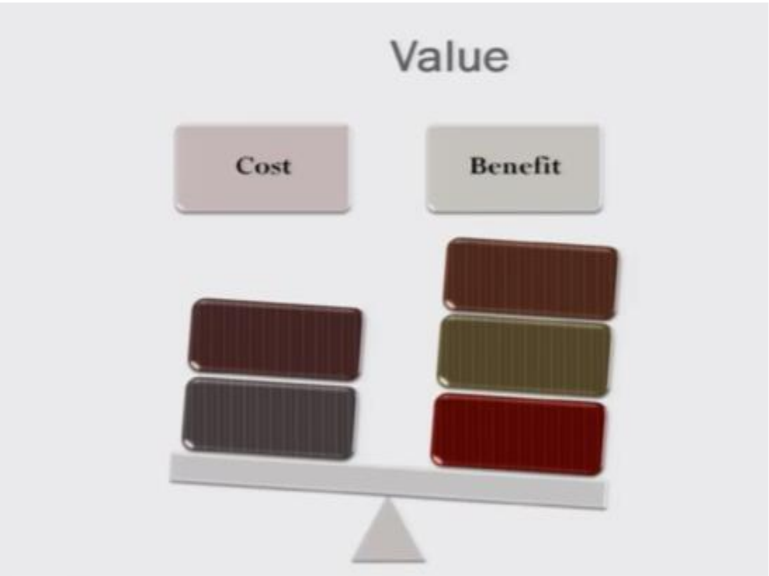

So, value is something which is core concept in the marketing and then, we discussed about what value is we define value as a function of benefit and the cost and then we develop deeper into the benefits in the cost and we say that there are two types of benefit.

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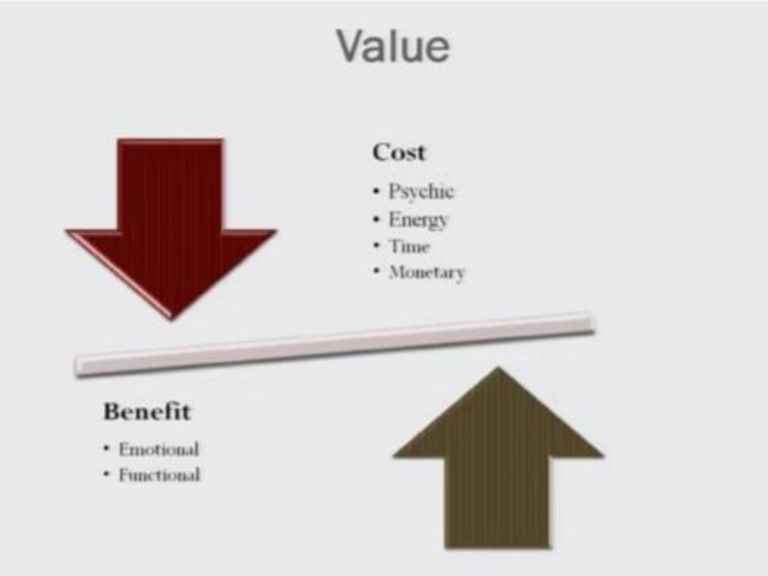

That customer seeks from a product that is categorization of these benefits in the form of functional benefit, and emotional benefit. We discussed about the example of the car that satisfy our basic needs like transportation, and security. And then we have looked into the emotional need, that is catered by the car that is socially status of an individual or a family. So, that's emotionally benefit.

And then we started looking into, the second component of this function which is cost. So, cost is consisting of four different types of cost basically. it includes monetary cost. the commonly understood thing that we provide the monetary benefit to the form which is selling of offering product to us.

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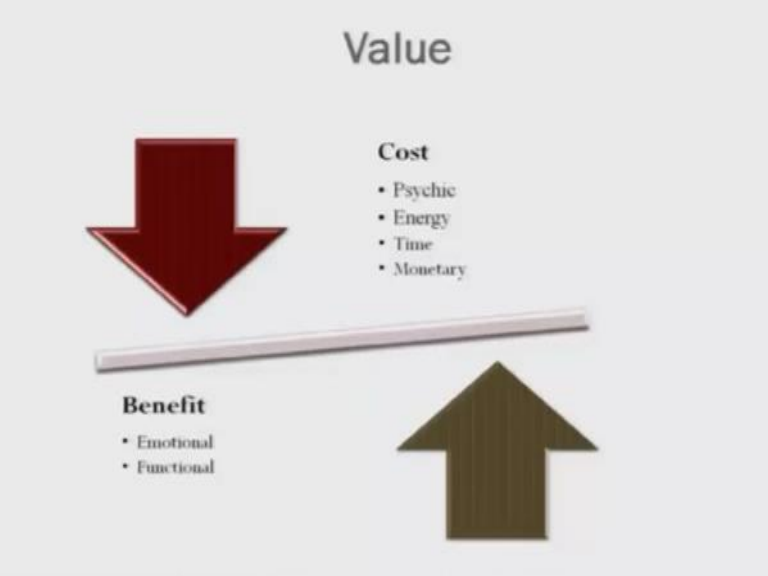

Then we have also talked about three different other cost which is psychic cost, the mental effort that in individual buyer, or a family or, I mean whomsoever is purchasing it puts into the purchase process and that is psychic cost. And then the energy cost, that the labor that an individual or buyer puts into purchase process. And the time cost the amount of time being incurred and the value of that time for that customer. So, these are the component of the cost we have is abyss the benefit which is the form of functional and the emotional benefit.

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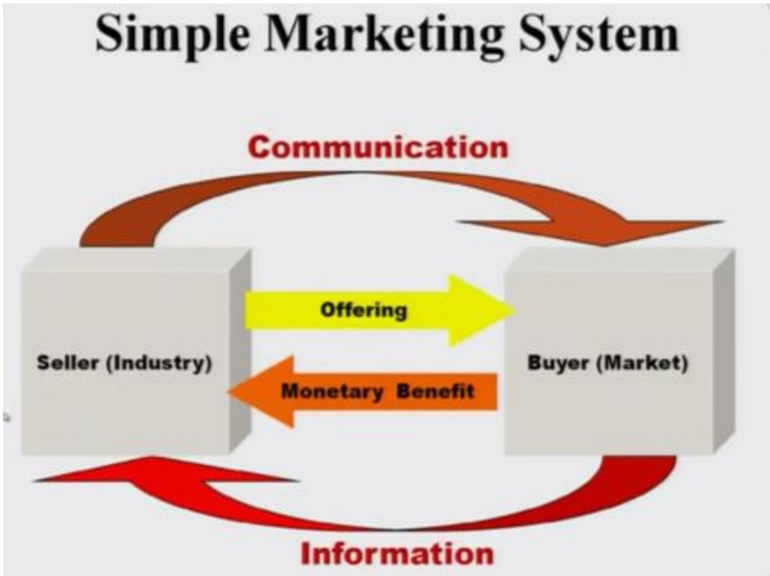

So, this defines basically a marketing system which consists of the seller, and buyer there is an exchange of the value in terms of the product, or the service offered by the seller and then you have monetary benefits coming back from the customer side and one of the loop is on the top is that you can see that sellers communicate about their offering to the buyers and the loop is closed by the back forth information from the customer side to the buyer to the seller.

And this is something which is which is of great importance sometimes we see in today's world that some companies their market valuation, or the valuation is much higher than probably what they are selling in terms of their sales and it is because of this thing that the kind of information that they have about the customer that is of very high value to the other companies, or the other organization and that is why their market valuation is sometimes very higher.

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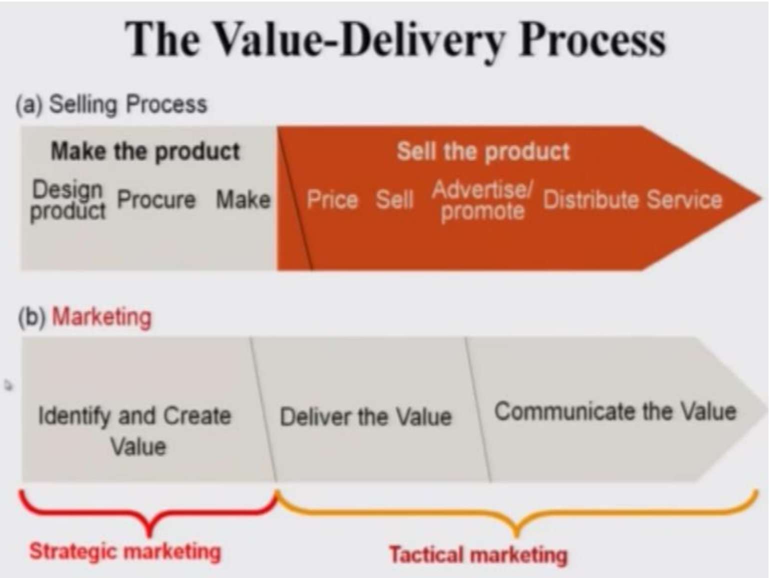

And then we have looked into the difference in the sales and the marketing as a process where in you see that, the sales in only concerned with the making the product and selling to the customer. So, this is basically a process strategy that whatever, I make it try to give it to the customer by offering some kind of discount or anything that customer prefers.

On the other side, if you look into the marketing the marketing starts much before the product is produced, that it starts with the understanding the customer needs and understanding what the value, and then accordingly design the product and then manufacture and they will deliver it to the customer. So, the basic difference as a value delivery process you can see that, marketing includes that identity identifying and creation of the value.

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Then we have looked into the some of the core concepts like need want, and demand, which are the key to understanding marketing as a course. And then, I talked about the strategy marketing process, how the marketing as a function is being executed in an organization. So, it has basically three phases wherein, you start the marketing with business analysis.

We have discussed about this 3c framework, where you looked into the customer, company, and competitor, you analyze your customer, you look into as company as what are your resources, and capability, what are your strength, and weaknesses, what are the opportunity in threads, which are present in front of you. And then we have also looked into the various framework, or the ways to analyze the competition in the market.

And based on these three analysis. We prepare our marketing strategy, which includes three important components, which includes segmentation targeting, and the positioning, these are the building blocks of the marketing strategy and then, this marketing strategy is executed through this four P's in the case of products and seven P's in the case of services.

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And just as we were discussing about what we have discussed in the previous course. I talked to you about little bit about marketing the search process. The steps involved in the marketing research process and what information comes out from the marketing research process goes as an input to the Marketing Managers.

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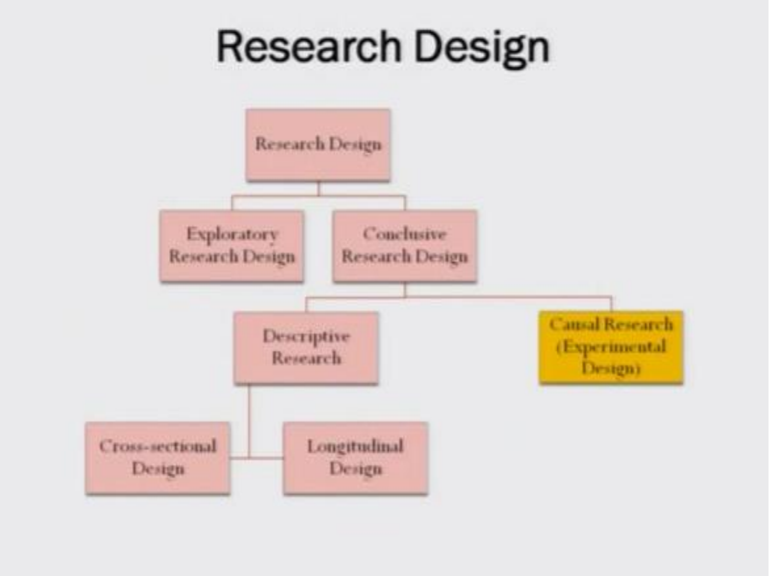

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We talked about the different types of research design that is exploratory inconclusive research design. And then, we have looked into the different types of market and buyer behavior based on different types of customers being served so there are two types consumer market and the business market.

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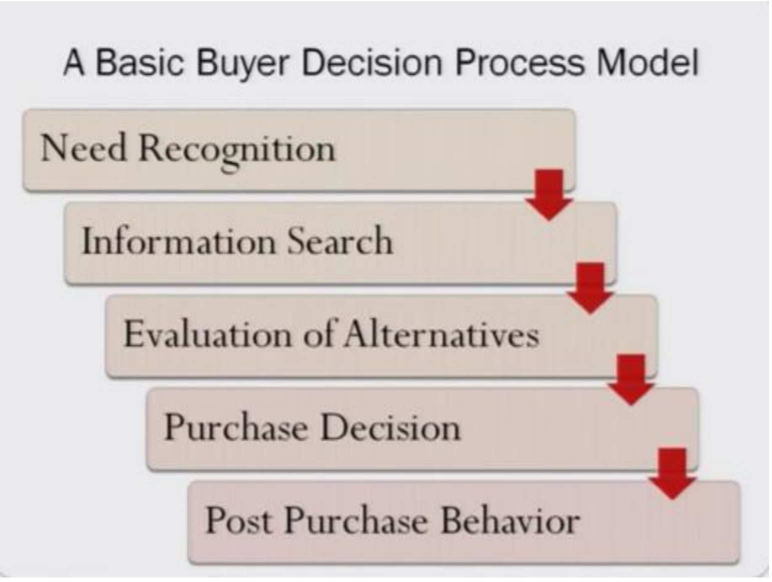

And then we have tried to understand into the buying or buyer behavior corresponding to each type of market, that is consumer market as well as business market. So, consumer market, when we talk about basic buyer design models. It includes five steps that is need recognition, information search, evaluation of alternatives, purchase decision and post purchase behavior.

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And this gets modified, in the case of B2B buying because, B2B buying, as I have discussed also in the previous class that, it instead of individual customer or consumer or a family at max there are is a group of people, who are the group of professionals which are involved in the buying process, and that group is called as buying center. And the purchase process is far more complex then the B2C buying and that is why we have we see that, buying process is gets modified. The design process gets modified is far more complex in B2B case.

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Then once you analyze your customers, once you analyze your company, one once you analyze your competitor, you are able to form your marketing strategies. Which I talked briefly in as include segmentation targeting and positioning. In segmentation is a basically a very important concept in the marketing, in the sense like, segmentation is important for any company. Because as an organization as a firm I am limited my resources and capabilities.

So, I cannot focus on all the customers in the market or all the segments of the market, which are there, all groups of customers in the market. So, what we do is first we divide the market in a homogeneous customer, which we call a segment and then we do with customers segmentation we tried to maintain this thing within a segment customers are as homogenous as possible.

And customers, across different customer segments are different. So, the choice of the factors on which we do the segmentation is also very critical because, the sharper our differentiation among this customer segment is our marketing strategies the response to our marketing strategies will also be equally better in that case. So, one has to understand that criteria of what you making segmentation has to be very good in the sense it should research out properly.

And once you divide the customer in homogenous classes you can choose to focus on a particular segment or a group of segments depending on the your conditions your offerings and the competitive intensity in the market which is we called as targeting. And the third thing which includes the marketing strategies is basically positioning so how you place the offering in the mind of the customer. So that it is unique and differentiated.

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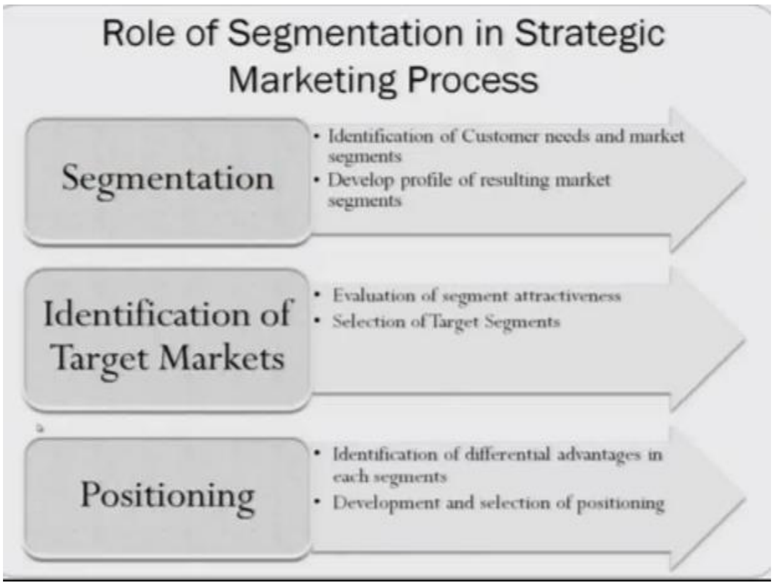

So, these three concept, are given the definition each one each one of them what happens inside each one of them has been detailed out in this slide. As you can see that segmentation as identification of customer needs and market segment, and you develop profile of resulting market segments. So, you understand when you say the profile of the customer segments, so it includes the needs of the customer and it also includes the psychographic demographic other details about the customer.

So, that you can target them with at most accuracy and then once you have segmented the market then you go an identify the target segments. So, first thing that you do is develop the criteria's based on which you evaluate the market segments and then, you decide basically how you basically evaluate, once you evaluate the segments. Then you decide upon the conditions that you have which segments to target and then positioning comes in to the picture.

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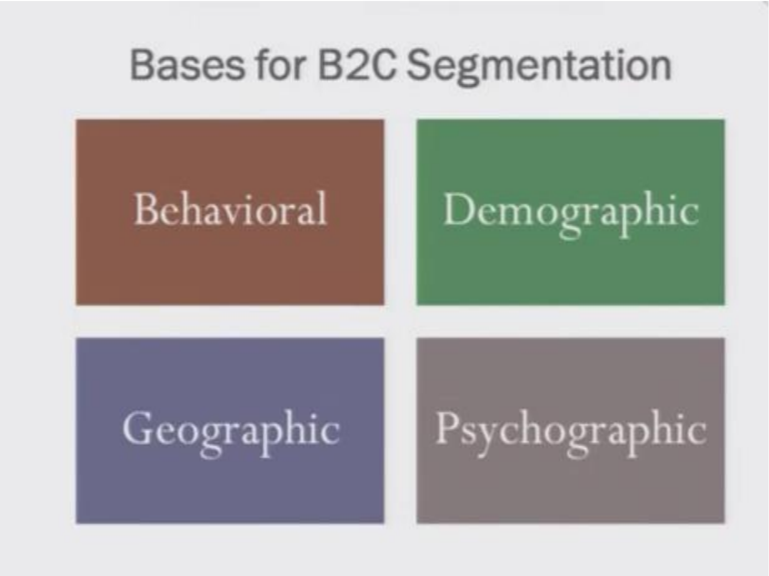

Now, talking about this segmentation you recall from this marketing management part one that in B2C market. Generally, we segment the market based on four broad factors that is demographic, behavioral, geographic and psychographic. So, demographic as you can understand it includes the individual's characteristics like age, income, gender.

So, these things can be useful criteria's to sometimes divide or segment the market, in the sense people, in a certain age group tend to have certain kind of similar needs like the people who are in the who have just started two into the services of the job, in the age from twenty something to thirty or thirty-five and the people from that age group thirty-five to something like fifty-five and then people beyond fifty-five.

These three segments, based on the age will probably exhibit a different kind of needs in terms of their financial security and based on that you will see that insurance companies might be designing their offering accordingly. But you will also understand that sometimes demographic characteristics may not exactly tell about the behavior of the users so people in the similar age group may still have a different kind of behavior.

Someone with same income level might exhibit much better or much higher expenditure level in what I do, because it is rooted in my believes, it is rooted in my conditions are upbringing. So, the behavioral and psychographic factors also come into the picture and that is why you see that attitude interest in opinion also comes into the picture. Then the fourth way of fourth set of variables which play a role in the segmentation of B2C market is geographic segmentation.

That you see that based on the location of the people have a similar need because you can understand who are staying in a coastal area and the people who are in staying in a dry area they have a different environmental and the locational needs and the because of those conditions, they may have a different set of needs. And accordingly, you have to offer a first segment the market and creating offer as per needs of those different locational customer segments so this was about B2C segmentation.

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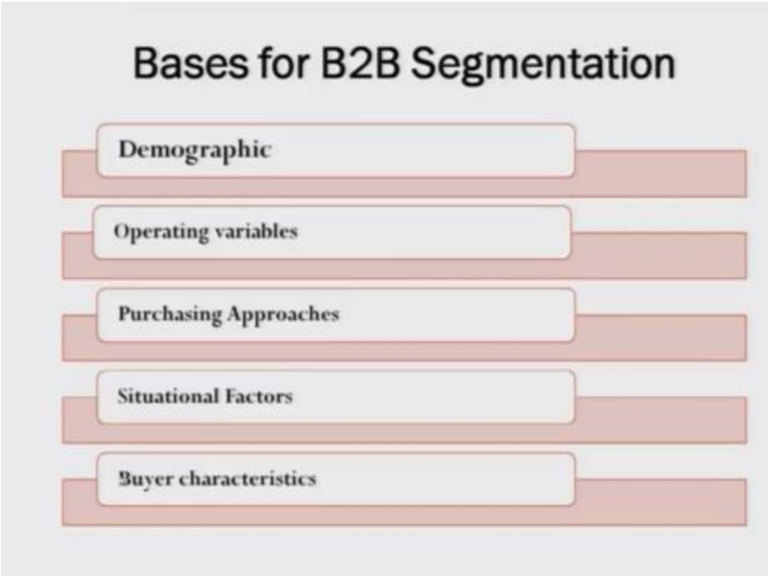

And then equally we can look in to this B2B segmentation that like B2B, B2C demographic segmentation you can also segment B2B market based on demographic. However, the demographics will change in terms it instead of age, income, gender. You will see it is the size of the form or the number of employees the industry sectors those things will come into the picture as a demographic of the organization.

Now in terms of the operating variables can also important basis. The what kind of technology company has. So, all those factors will come into the picture then the different purchasing a approaches like whether they are centralized or decentralized those things can also be a basis of the segmentation. Then situational factors and the buyer characteristics also comes into the picture in B2B buying.

We have dealt with all these basis of marketing management in much more detail. I suggest you can go back to some of those classes, where we have discussed into the B2B buying process. Uou can looked into the way, we have classified the different products in B2B market the way the customer has been segmented those things can be looked back and to understand what will be the basis of criteria of segmenting in B2B market.

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So, once you have segmented the market the next thing is like, how you will evaluate the different segments. You see, there can be a different factor that will come into the picture to evaluate the different segment and here you can have the size and the growth rate and in an important criterion like what is the size of each segment so bigger the size of the segment it could be lucrative.

You have to look into this size of the segment with some other factors is like what is the growth like, a large segment which is showing a declining growth rate or a large segment which is probably where the product is losing relevance, might not be a very good segment to target. So, the size has to be looked with other criteria.

Then structural attractiveness, like what is the competitive intensity, what is the threat of substitute, buyer and seller side, negotiation power. These could be the important structural characteristics that needs to be looked into while you are evaluating the different segments. Then the last thing, that the third criteria, the third set of criteria I would say, would include the forms objectives and the resources so depending on the what kind of objectives and order an organization is sometimes it may happen.

That the kind of objectives you have, the segment will not offer though it might be a sizable segment, though it might be growing segment but you will find that, it might not be a segment which gels well with your organizational objective. So, suppose it lead you are basically you want to remain as a technology leader, So, in that case you may not like to enter into a bigger emerging market but these are most mature market in terms of the technology.

So, only those technologies which are matured in their technology life cycles they exists in there and when you operate in such market you have a chance that you will lose from the site of where the technology is moving. So, rather you would like to focus in a market like you us rather than focusing India and China. So, that you remain on the edge of the technology and you can bring the new products because those are basically demanding markets the customers are basically innovators or the early adopters.

And understanding their needs and bringing the product according to those needs, will keep you on the edge of the technology or the front runner in terms of the product innovator. So, that that is the basically a strategic choice of an organization, you have to make that which kind of market segment you will choose will also decide what is basically your future also. So, that was the relative the how the objective of the organization can also affect the choice of the segment.

And then the relative availability of skills and capability product variability these are the sum of important things that can also come into the picture when you are evaluating the market segments. So, once you have looked into the different criteria's and you have looked into the options. You will see that you can visualize a matrix kind of structure will come into the picture, that you have different options and you have different criteria's.

And you evaluate those options based on these you can make a choice which segments, or which set of segments that you want to target another organization.

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So, this was all about the strategic marketing part and how it is being executed is those 4P. In terms of 4P you can understand that it's like product, price, place and promotion, and in terms of the this is basically the sellers' perspective of product, price, place and promotion. You can understand when we when we look into from the customer side product changes into the customer solution the price changes into the cost that customer bears to own the product.

The place is basically the convenience where a customer wants to have the product and promotion is basically the communication from the company side about the product so this the marketing mix from the seller side and from the customer side and we are going to discuss these 4P's each one of them much in more detail in this course. So, we will first look into the product part will try to understand what product is.

And product is generally you will see that many a times companies are not just offering one having one product of the services they will have a bundle of different brands and the and the products offering in their portfolio. So, understanding the how to manage the entire product portfolio is is being the part of this first P that is product then we looked into the second part like how to price a product then we looked into like the third thing which is place.

So, where and how the product should be placed or how it should be distributed who should be a channel partners or you should select your channel partners, how you develop basically the criteria to evaluate that different channel options and then evaluating those two channel options will come under this place part.

And the fourth thing is that promotion where will talk about integrated marketing communication thing, where we see that using the different channels of communication. How we should integrate our message across different channel options. So, that you send a unifying message to your customers so this is for p and we are going to discuss this 4p in much more detail as we proceed further in the course.

So, I stopped this session at this point and then we will we meet into the next session we will talk about the first p and we will that start with first p that is product. Thank you very much.