Marketing Management - II
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Lecture No. W8-L5
Recap of Important Concepts I

Hello and welcome to our concluding sessions of marketing management part II. We are going to talk about annex in this next to session about a wrap up on marketing mix which has been the prominent topic that we have covered in this marketing management part II. I am Shashi Shekar Mishra and I am Jayanta Chatterjee and we are both from industrial management department of IIT, Kanpur. So, to just start with we have started the emphasis of this course was about marketing mix.

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We have seen the overall process perspective of marketing as a function that marketing starts with the business analysis which helps us in framing our marketing strategy and then based on this marketing strategy to implement those strategy in the markets you have marketing mix. So, we have talked about 4 peace in the case of products physical goods which is product price place and promotion and then in 7 pieces in the case of services.

So, we started with products and we said the product is defined and or you can say in general that an offering is defined as a bundle of benefits. So, I gave you an example of a car if you want to conceptualize as a market here what a car is? A car is a basically a bundle of belief it's in the sense it provides it fulfills your transportation needs, it fulfills your safety needs it fulfills also your status and the level of these benefits as that vary, you will see also the cost in the price of the products will also be changing. So more for me a formal definition of the products was.

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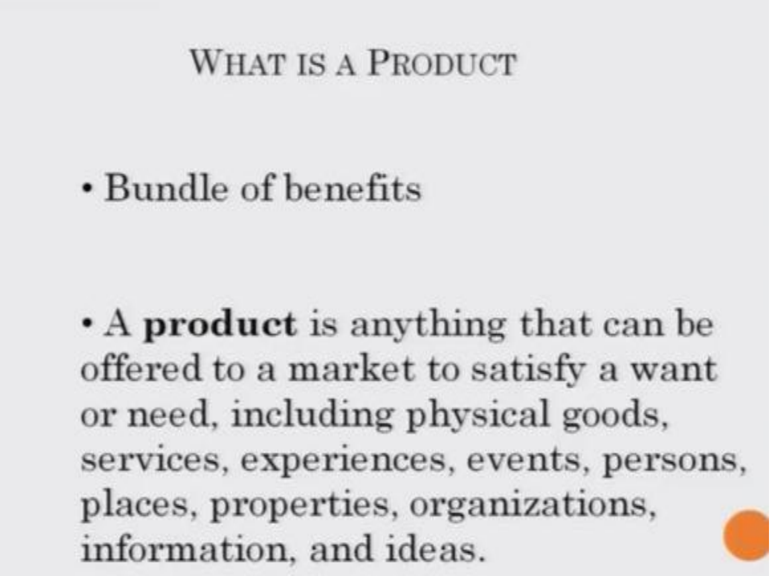

A product is anything that can be offered to a market to satisfy a want or need including physical goods these are the type of the offering which are marketed in any market is physical goods, services, experience, events, persons, places, properties, organizations, information, and ideas. So, we have talked each of them when we were discussing about this topic in detail.

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And then we have talked about the different levels of the product or the product hierarchy actually we talked about that there is a core benefit the need at the base of any product which is which is fulfilled by the that product category. And the basic products the next level of this in the product hierarchy is a basic product a form of a product which fulfills that core needs.

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So, this is the bare minimum requirement from the product side then you have a expected level of product, a set of attributes and conditions buyers normally expect when they purchase this product. So, when you take a hotel room you expect certain things within a room from your past experience or probably what you are known about from the internet or from the different sources. You have certain idea about what a hotel room will consist of. That forms your expected product level.

The next level is this augmented product. The product that exceeds customer expectations so probably couple of years back this was the one of the example for the augmented product was that hotel room will have the wifi in a budget hotel. But today it might have gone to the expected product right so you see this product in the hierarchy what is what is seen or what is today considered as a knock you meant id product tomorrow it will become an expected products.

So, in the case of car example you see this lot of things like your wheel was or your driving was (()) (04:08) and earlier it was manual. Now it is becoming more of automated so these are more of expected product today in most of the models. Then you have a potential product which is the future added features are the augmentation which are possible in any product in a potential product. This diagram which we have actually borrowed from cutler the famous onion diagram when we see a product we actually see a product at this level.

And then we start peeling off the layers and then we will actually be able to find the core benefit so when we design the product promotion strategy or when we design the product positioning. Then we have to understand all these layers and this point that you said that these are not static that some features which may be today augmented. They may tomorrow become expected so kind of there is a downward flow of features and benefits towards this core which is.

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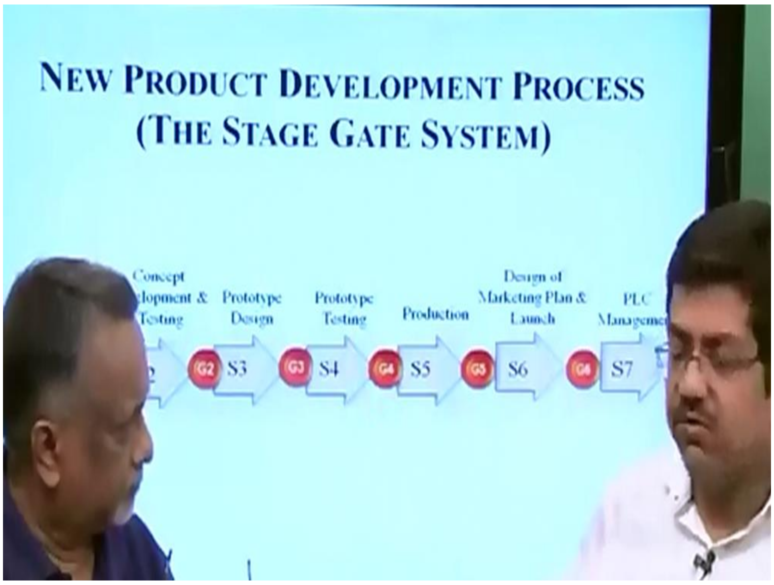

That also to the point in that as company you have to keep innovating you have to keep commenting your product and that has been the beginning of this concept of new product development. Where we have talked about a new product development process though you will that from one organization to other organization there must be certain difference in the activities that they perform in their product development process.

But when you try to generalize across the organization every product development process can be broadly conceptualized under this stage and gate system and the idea of the product development I mean the product development process starts with a idea generation exercise and these ideas are the screen and at the end of each gate you will find out there is a there are predetermined criteria from the organization side. If a concept or it if an idea fulfills the requirements.

Then only it proceeds further and then we have talked about a very essential requirement is that from the organizations perspective is that if something has to fail it should fail early because as you move or as you progress further enough new product development process. The cost to an organization to failure is will be higher so then we have talked about this concept of diffusion of innovation once a product is launched in the market how a product gets adopted by the potential customers in the market and in this diffusion of innovation.

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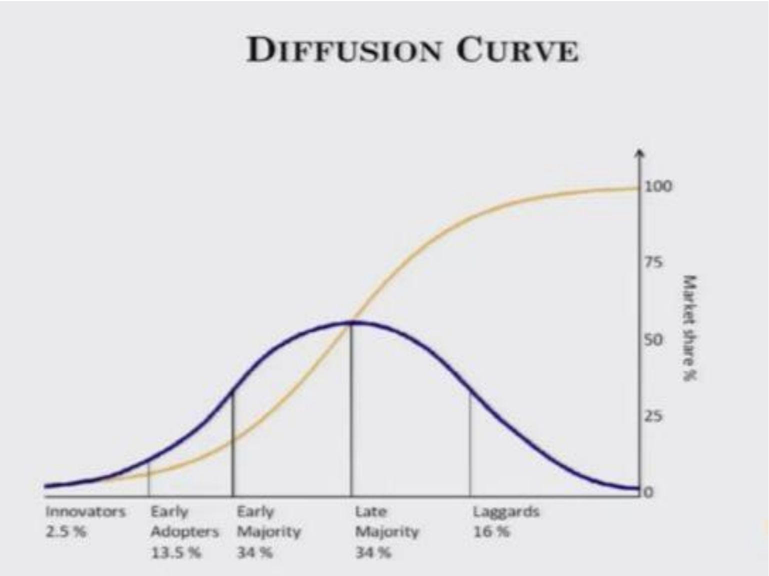

We have seen that a generic diffusion of a product will follow. A normal curve and there we have talked about the 5 different categories of the adopter’s innovators, early adopters, early majority, late majority, and laggards. We have seen the differences in the characteristics of each of the category of adopters so we have seen the difference between innovators and early adopters.

So, innovators are the people who are you say have a keen interest in that product category and they will like to know about those products other about those products much ahead of their counterpart’s other in products category. So, these people are those people who will be someone who will be more risk taker and compared to them the other product category will like to see that product is more proven in terms of its functionality and its benefits.

On the other side when we look into this early adopters and other product category they are different from the innovative so there has to be a change in the marketing strategy as well as other functional strategy of the organization and that has taken us to the next level or the next concept was product lifecycle management.

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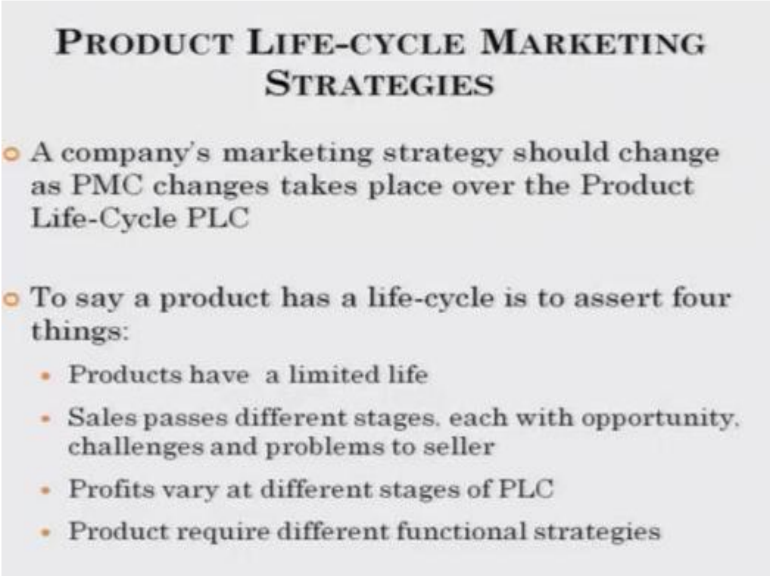

Wherein we have seen that we say that every product has a life cycle and when we say every product has a life cycle what does it mean it means 4 different condition are probably 4 important facts. Which are related with product lifecycle concept is that every product has a limited life. So, this limited life could be a few months could be few years or maybe couple of decades.

But still there will be a definite number to that life cycle and then you will also see that this product lifecycle enduring the product lifecycle a product passes through the different stages and every stage had its own opportunities its challenges and problems to seller. Now what happens inside that in that as each stage is different from the other stage. You need to understand those stages quite well.

How they are different from the other stages and you need to change your strategies and that is what this last point is that product require different functional list. And as you see that product passes through different stages profits also veriate during the product like cycle.

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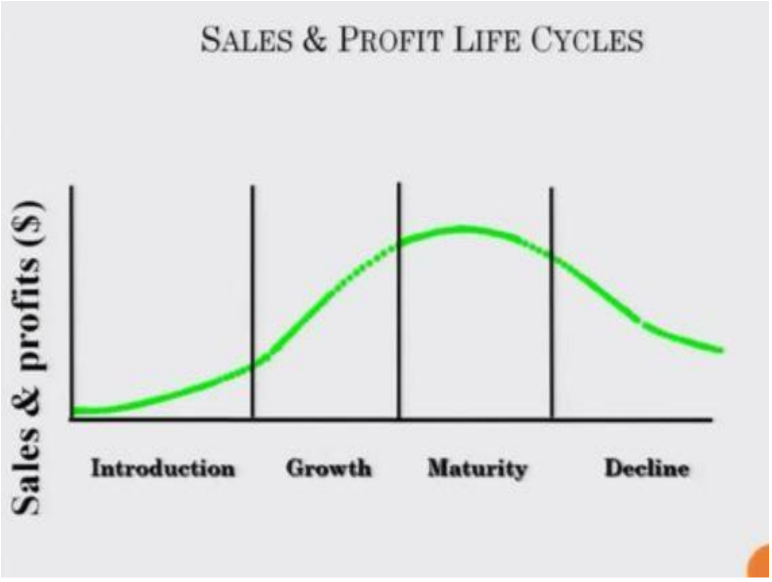

So, this graph actually what we have explained at that point of time was that you see in the initial stages where the sales is very less. So, the sales is less and your expenditures are very high in terms of educating the customers in terms of your investment in the channels and in terms of creating the facilities. So, in that sense your investments are high in the introduction stage.

So that is where you will say see that the sales is less but the profits are on a higher side and then it goes to growth maturity in the decline stage and one has to understand. We have discussed that during those sessions that how the marketing strategies need to change and just for the sake of an example I will tell you that introduction stage while one of the most key objectives in the promotion this introduction stage of the promotional strategy is that you need to educate the customers.

Product feature in fact last week that means week 7 actually using the same product lifecycle graph. We have discussed in detail about that how the promotion or rather the integrated marketing communication strategy as I explained to you how it changes over the life cycles so the communication objectives at this stage are different from the communication objectives at this stage different from the communication objectives at this stage.

Interestingly even distribution which we discussed in the 6 th week that also has added because that distribution here will be much more direct whereas you will more and more rely on networks. If your business is growing nicely then you will need more intermediaries and more networks as the life cycle progresses. So, this was about the product life cycle concept and then we have also discussed about something like introduction strategy like whether you should be a pioneer in the market or whether you should be a follower.

So I have told you at that point of time that there are advantages to both whether you are follower or whether you are a pioneer. Pioneer has a certain advantage in terms you will have more recall value your brand will establish as the name of the product category (()) (11:45). I have given you a number example a number of example where customer recognize that product category by the brand name so Xerox is used ominously with this photocopying. This adhesive medical adhesive which is used for as a banded as a more as a product category names.

So, you will see that customers will have affinity to the first brand which is launched and since you are a basically a pioneer in the market you will probably reach to that in the costing part of the learning part the you will reach to a advantageous for a position compared to any of your follower. Your unit cosmic must be much lower than your competitors because in the number of units that you are selling and from your learning curve you will be able to produce the same thing at a lesser cost.

So, in that sense you will have generally more power in terms of fighting a price war. If a competitor initiates a fight war of equal financial might the chances are that you may that in this case this kind of conditions. So, after this we have started talking about Brands actually we have seen that brand as a basically a subtopic of the product.

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And we have looked into the brand from two different perspective one is like academic definition where we say that a brand is a name term sign symbol or a combination of these and it is intended to identify the offering of one seller from the other seller and to differentiate them from those competitors. So, brand plays a very important role for the seller as well as customers from the customers point of view we have discussed that brand simplifies your decision-making process.

So instead of processing lot of information the brands helps a customer to reduce their info information processing requirement and also, they help in reducing the perceived risk for the customer for the seller actually one of the key benefits is that it is a it is a differentiator for any organization which is difficult as a bad what you say as a market barrier to overcome by the competitors.

So, we have talked about a lot of number of examples from the different product categories where there is a dominant brand and competitors in spite of having a sum a product which is of same in terms of the performance of the features will find it really difficult to overcome the barrier of the brand

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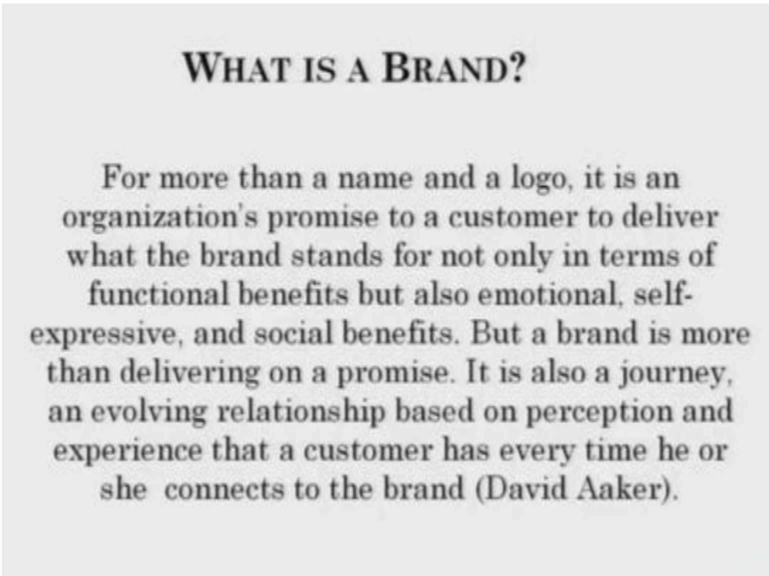

We have also looked into this aspect that brand is not just a name and logo it is an organizations promised to promise to a customer to deliver what the brand stands for not only in terms of functional benefit but also emotional self expressive and social benefits. Then we have seen but that brand is also about a promise it is also a journey and evolving relationship based on perception and experience that a customer has every time he or she connects to a brand.

So, every experience that customer has with a company has a role or the impact on the brand equity and then we have looked into this customer base square brand equity concept and then we have looked into deeply that customer base brand equity has three dimensions.

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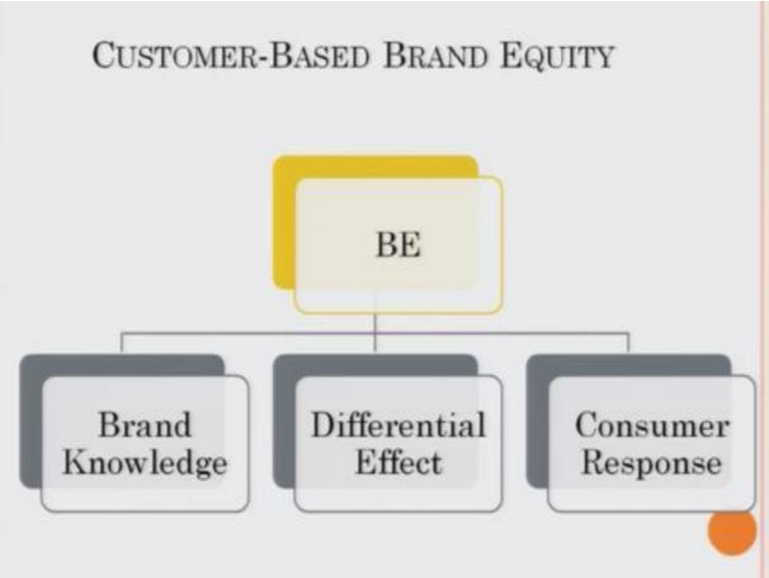

That the brand knowledge that a consumer or the a user has in his mind and what is the impact of this brand knowledge on the differential effect like how this brand knowledge actually changes the preferences in the customer and then finally what is the consumer response if consumer has a distinguished distinct a different image in the mind then how their response towards that brand will change with respect to the other brands.

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So, to decode how actually a brand works we have seen this process perspective of the brand that how actually a brand work. So, we have seen that first a brand awareness gets developed in the minds of a consumer and once a consumer knows about a brand. Then what is his response will depend on what kind of image has? Consumer may have awareness about certain brand. But depending on the kind of finally what kind of image they have find that will ultimately affect its cognitive or effective processing and leading to the preference towards the brand.

So, and last week actually we use the same transition or progress When related to promotion and the models in through which people make buying decisions like AIDA etc., So and we discussed the similarity between the buying process model and the role of promotion and also what we had discussed earlier with respect to brand their and the similarity among these models.

So when we were discussing about the brands we have talked about how a brand is an intangible assets to an organization and I have talked about different valuations of the brand that certain brands in the worlds are billions of dollar worth for an organization they have been nurtured and build by the organization over the period of time and they are such a way barrier a probably such an sets for those organization that competitor will find it very difficult to break those kind of this perception based barriers. So, to understand this I have talked about this associated network.

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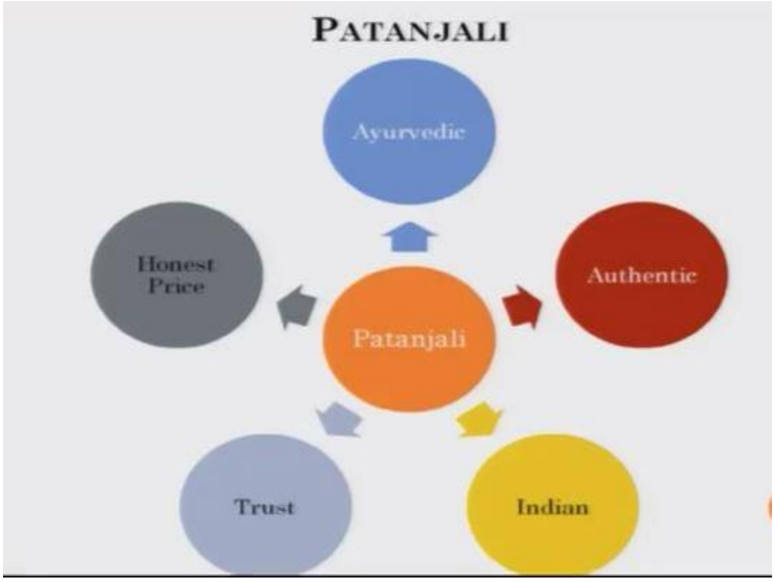

How they actually the brand actually works in the minds of the consumer so I gave you an example of patanjali. So, when a consumer is aware about our (()) (17:47) calls that the brand patanjali then what comes in his mind? There are different kind of associations which are evoked in the minds of the consumer like it is a brand which is associated with the being ayurvedic being authentic or pure it is associated with being an Indian brand or local brand or the brand.

Which we inherits well that is actually what patanjali is trying to say here that do not buy foreign products by this but of course you know if you really look at the shareholding and other pattern I do not know may be is as Indian and you know they are also in India. Now for almost 100 years or more and they have a very large Indian shareholding so though unilever is a multinational but they are also quite local in many ways.

Yehia, but Patanjali i think is very cleverly utilizing leveraging this even in their promotion over TV or over even over radio they are harping on this point if you buy you are your money is going back to the rim society be indian by indian that sort of so and there is this concept of trust is also associated with this brand.

Which I think is very important in some of the food product category we are potentially has introduced its product it offers a value for money so you see when a brand name comes into the mine certain kind of association gets provoked and this association actually creates a certain kind of brand image and that brand image actually is basically a feed to this our cognitive or effective process and ultimately leads to the brand preferences.

And I think clever brand manager s in a way to add a little bit of spice to the whole thing you know they encourage a mild controversy the manageable controversy some arguments some debates because that keeps it alive here that keeps it alive. In fact, we have talked about we have talked about another example of Amul in this case of associative network model. Where Amul always associate itself with the latest news trends and most of them are actually is in some way it is a controversial also.

So, what happens is it is a satire and it is a basically irrelevant or to that point or very consistent with the current sentiments of the population so by associating a brand. This kind of think it remains always. And then Amul often referring to those controversies they make a very clever point that whatever may be the controversy but there is no controversy about Amul. But it is a very good valuable Amul value which is inheritor.

So, the in fact I would just emphasize that this clever marketing or smart marketing part that some kind of element is kept inside this whole brand creation so that that lets a certain kind of propagation of conversation around the brand. And that actually helps in building the brand or the brand awareness which we have talked about.

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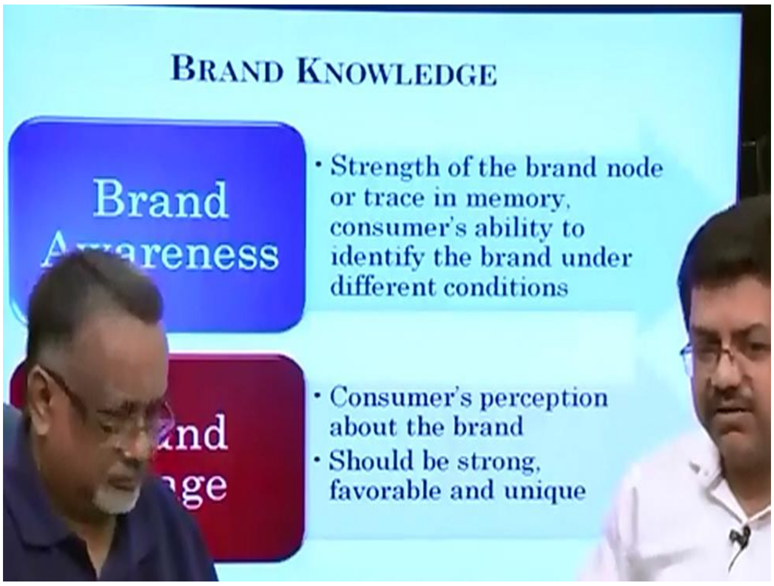

That this brand awareness and brand image brand awareness has two aspects that brand recognition and the brand recall how you recognize if you are given cues can you recognize the brand. So, and the second thing is the brand recall with cues or without cues how strong that brand is inside your mind whether you can recall it to create a basically a favorable image are probably a positive image.

You need to have in the brand image three dimensions that the brands should be strong favorable and unique so if your brand has these three dimensions inside itself and then probably customers are going to prefer your brand as probably intended by the brand manager then I have summarized this whole thing here that what are the tools actually.

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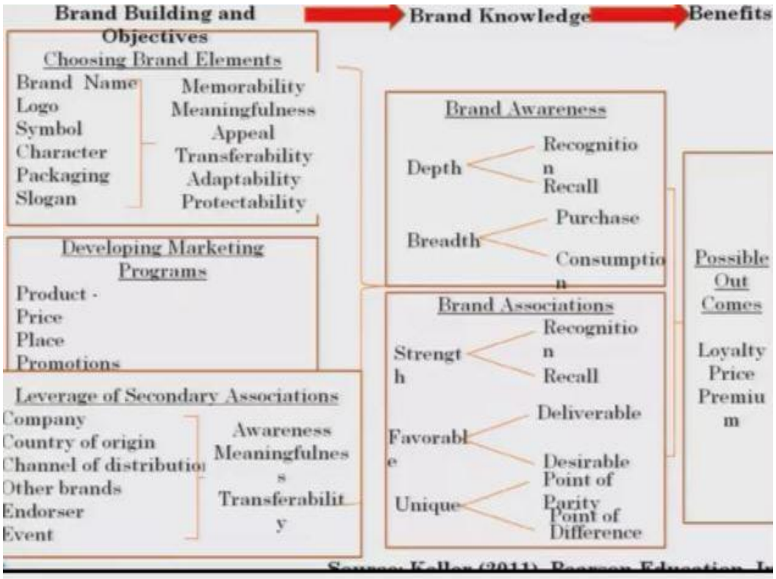

I mean we are talking about how the grants are built but then we have also looked into the what are the different tools that a man the brand manager has to create the brand image brand awareness. So, then we have looked into the three different types to tool that in terms of choice of the brand elements. And that in terms of the marketing program to reinforce the kind of brand image is trying and the leverage of the secondary associations.

So, you can see in this slide we have talked about brand elements we talked about 6 brand elements and there was 6 criteria’s to choose those brand elements then we have talked about marketing programs how the 4 p’s or the marketing mix reinforces the certain kind of brand positioning that we are trying to achieve and then the certain kind of secondary associations.

We have talked about with certain examples at that point of time that how the company or the country of origin channel of distribution the these basically evoke certain kind of images and by associating your brand with those association you leverage certain kind of image to your brand and that helps you in creating the brand the brand awareness in the and the brand image.

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Then we talked about the next thing or the second p in the marketing mix was the price so how do you create a price for a product when you are introducing first in the market. So, it was 6 step process we have seen this six-step process in a very detailed manner we are where we have looked into the objectives of the pricing. And then we where we have talked about the how these pricing objectives are related with a positioning of the product.

I talked about the example tata nano like how this the pricing or other the one of weakness of the tata nano was the pro in terms of the kind of image it has created. Because it was labeled as a cheap product then we have looked into the second aspect of this setting the price once we have determined whatever pricing objective, then we need to look into the what is the demand and we estimate our cost.

In the cost suspect, we have looked into the total cost which is a addition or sum of a fixed cost plus variable cost and then from there we have looked into how we need to assess the competitor’s response that whatever we price and our pricing moves how competitors are going to differ in a different situation.

In fact, I talked about a game theoretic model where the two competitors in a market situation. If one change its price and what will be the impact on the other and if both anticipate each other's move and if both try to change their price what will happen in those situations and then we have looked into the pricing method. So therein I have talked about prominently this 5-prior pricing method or you can say like for pricing method that is going rate pricing and option pricing.

We have tried to summarize at that point of time so mark uprising target return pricing Percy value pricing going with pricing.

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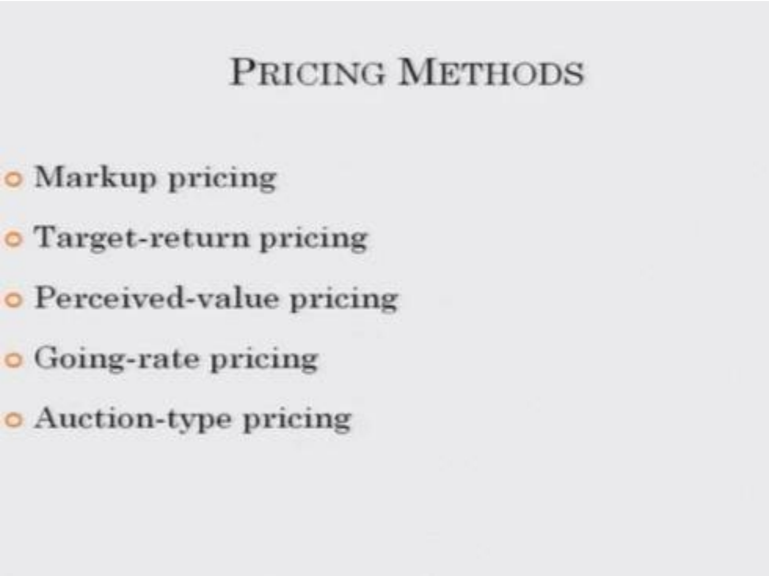

An option pricing we have looked into I have tried to explain it when I was trying to explain that when you are trying to finally price a product. The price will the floor will be set by the cost of the product. The selling will be set by the perceived value or the benefits. The actual value that is a customer will gain from any product and depending these are that you can see on a balance left and the right we are finally the point we will get a steak depends on the competition which is present in the market.

So, if you have a very intense competition in the market. You will see that the prices going more towards on the cost side so there will be a certain margin a standard margin which is coming up in the market which every seller will be putting on their end product but if there is a very differentiated product in the market and you see that there is no other competitors or substitutes are not easily available.

So, the pricing will be more on the perceived value side we have looked into the example from the pharmaceutical sectors and many other luxury brand or the luxury product categories. We have looked into the where we have seen that the pricing was more on the perceived value side. So, this was about the second point and with this we have we are going to wrap up this session and the second session.

We will I think one point is that you know we are discussed about that whether you want to be a leader or you want to be a follower and in pricing therefore if you are a leader you have the freedom of setting the price here in a way more by using the perceived value another consideration but if you are the follower then you’re selling maybe your dominant competitor's price.

So therefore, in a highly competitive market that is what I have pricing leadership in a way price leadership will come from operational excellence the more better handle you have on your cost you have more flexibility to do pricing so in fact when I when we were discussing about this part final price of a product we have looked into this aspect that fighting with a already established competitor or already established company on price point might not be a very advisable thing.

Because what may happen that that company is selling more number of units of that product so they will realize this operational excellence or this experience on the experience curve they will be they have reached to a much ahead stage then to a newcomer so their cost of producing that product unit cost will be less so they are margin for the same price point will be less so in fact some of the smart companies what they do is as the competition is start entering into market they keep on lowering the price of the product.

So, for the girl the new entrants there is no the not much of the margin or there is that market does not look at reactive to route to the new entrants because they will not be able to make much of the money unlike this incumbent will still keep on making some money because their cost of production is muslin less than the airing of the new competitor.

So now I want to conclude here too so I conclude here we have talked about first two-piece products and the price in the next two in the next session which is the last session of this course. We will talk about the remaining two pieces which is about place in the promotion and then we will wind up the course. Thank you very much. Thank you!