Integrated Marketing Management
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Lecture – 15
Sales Function & Marketing Mix

Welcome to this class, we will look at in this class the Sales Function with respect to two Marketing Mix elements, in this particular slide. What we are looking at is the expenses one company is going to incur on advertising and also on sales promotion. Two types of graphs are presented here.

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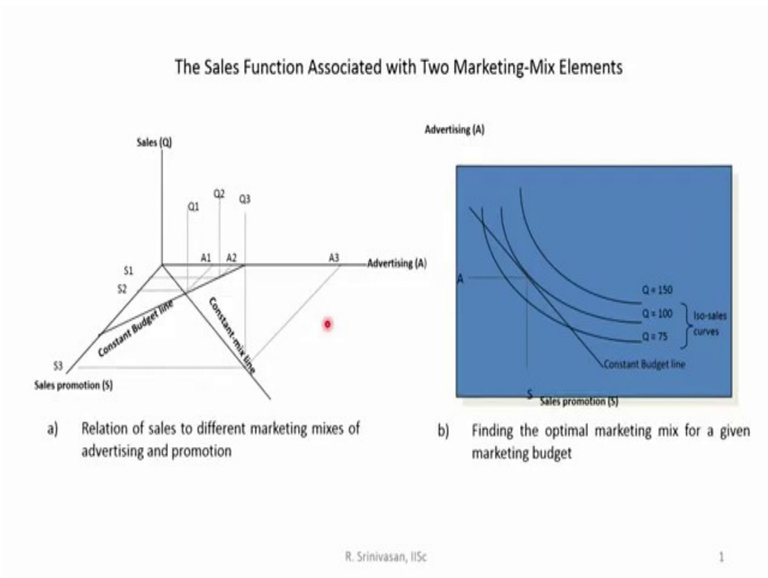

The graph here is an isometric view. If, you see there is A constant mixed line, there is A constant budget line what does it indicate? Suppose, the budget you are asked to keep it constant that is you cannot vary the budget, then what can you do as a marketing manager? You can start in this constant budget to adjust the amounts spent on advertising and the amount spent on sales promotion.

This graph which is in the isometric view that is the three dimensional graph, it presents to you the constant budget line, it also presents to you the constant mixed line.

In this constant budget line if you see, you have an A 1 and then S 1, that is for the level of A 1 that is a advertisement expenditure, you have these corresponding sales promotion expenditure at S 1.

Similarly, with respect to A 2 and S 2, similarly with respect to A 2 and S 3. Depending on what you are going to do as the adjustments for A and S you will have different qualities of sales that is quantity of sales, you have it at Q 1 for A 1 S 1, Q 2 for A 2 S 2, Q 3 for A 3 S 3.

You have 3 quantities of sales coming for different advertising and sales promotion budgets. You can adjust your A 1 and S, you can adjust your A and SS in such a manner, you can get slightly different quantities of sales. If, you see your Q 2 is higher compared to Q 1 and Q 3, you are getting a slightly higher quantity of sales presented through Q 2.

A marketing mix manger is likely to adopt or go to this combination of Q 2 and A 1 A 2 and S 2 to get that Q 2. So, he may like to have his advertising expenditure at A 2, his sales promotion expenditure at S 2 so, that you can realize this Q 2 sales. Now, all these could also be represented by A 2 dimensional graph that is you have got advertising on the Y axis and sales promotion on the X axis.

Now, you draw the 3 sales curves that is Q equal to 75, Q equal to 100 and Q equal to 150. Now, in order to get at the corresponding combination of AS and SS for getting this sales quantity, what you are going to do is draw a tangent to each of these curves, that is each of these ISO sales curves you draw a tangent. And, when you draw a tangent the point at which this tangent cuts this ISO sales curves, it gives the constant budget line where you can get the combination of A and S; the combination of A and S.

This is very useful to the marketing manager, because he has to make decisions, what is he trying to get by doing this he is getting optimal marketing mix for a given marketing budget. In this first diagram that is the three dimensional diagram, what we have looked at is the relation of sales to different marketing mixes of advertising and promotion. what we are looking at in the next diagram is finding the optimal marketing mix for a given marketing budget.

Here you are representing it as A 3 dimensional diagram, here you are representing it as A 2 dimensional graph and whichever is more understood by you can have, you can take that particular method of representation if you think that, it is better for you to have A 2 dimensional graph, where you can see with reference to different sales curves, that is the ISO sales curves. You can get a combination of the advertising and the sales promotion expenditures.

In other words what we are trying to do in this is for the marketing manager creating different scenarios ok. You take two elements advertising and sales promotion. And, now you look at the constant your budget is constant you have the mix constant, mix line, you find out how you can do different for different mixes of advertising and sales promotion, what could be the sales?

Now, when your budget is constant here in the second graph, you can look at drawing a tangent to each of the sales curves that is the ISO sales curves to get the optimal marketing mix for a given marketing budget.

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From this we move up further; why we are doing all these? This is the next question we have to answer. We are doing all these to device different business unit strategies. And, from the different business unit's strategies, you go to the corporate strategy, but kindly note that if there are 5 business units, if you summit that 5 business unit strategies, you will not get the corporate strategy.

In other words, corporate strategy is not the summation of the individual business strategies, that formula does not work there. When, we are looking at strategic marketing, we are looking at the business unit strategy. When we are looking at the corporate strategy, we are looking at the strategy of the company as a whole.

The business unit strategy looks at the individual business units, the corporate strategy looks at the company as a whole. There are few things which are very critical to any company; one is what is called the strategic decision. What is the strategic decision? This decision is likely to have a long term effect, it is not that you took this decision today and tomorrow you can reverse this decision it is not possible.

Compare it with the tactical decision; tactical decision is in order to achieve the strategic marketing objectives, you will make some adjustments in the operational strategy. Those decisions can be dynamic in nature you can take it on a data to day basis and when you take it on a day to day basis, along with those decision you will have different budgets scenarios coming in, you will have different mixes scenarios coming, but all with the ultimate objective of achieving this strategic objective with respect to the business unit.

When you are looking at a business unit you are looking at strategic marketing with respect to the business unit, when you are looking at the company as a whole you are looking at corporate strategy. A strategic decision cannot be reversed a tactical decision is dynamic in nature, and it depends on the situation that is prevalent in the market. Depending on what type of situation comes in the market you keep sometimes proactively acting to that or reactively responding to that.

It is a dynamic decision which is taken to achieve the strategic objectives which you had earlier envisaged with respect to the business unit. So, in this slide here what we have tried to present is; one is the business unit strategy, second is the what strategic marketing is concerned with, third is the difference between the strategic decision and the tactical decision.

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Let us look at the silent features of strategic marketing; what is that we are trying to do, when we are looking at strategy in when we are looking at strategic marketing. The important aspect that we are looking at is emphasis of long-term implications. As a marketing manager you may have to take decisions, which are spur of the movement, that spur of the movement decisions are not coming into strategic decisions kindly note.

You might have one customer might bring to your knowledge that a particular product is available at a much lower price then is being sold in your store. Then, you may have to take a decision to decrease the price of the product in your store, that is a reaction to what is happening in the market place. Kindly note that this is not a strategic decision, this is a tactical decision where you are saying as a marketing manager I have taken the decision to decrease the price of this product.

You can see in a place like big bazaar, take these vegetables. The price of vegetables are constantly changing, today you may have 1 price for tomatoes tomorrow it may be increasing or it may be decreasing depending on the supply that is coming in. A very good example could be your onion a few days back the price of onion had shot up to more than 60 rupees per kg. Now, with the supplies increasing due to several government measures like putting a ban on export of onions, and also taxing the import of onions what has happened is you have a higher supply of onions to the market.

If you looked at the price of onion, today you are getting it around 30 to 35 rupees per kg. What was some 60 plus rupees per kg, you are getting it at 30 to 35 the indications are that it is slightly to come down further. As a marketing manager if you are in charge of this unit that is the vegetables unit, you have to be always on the go; on the go meaning that you have to keep a watch on what your competitors are selling, at what price they are selling?

When you are doing this, when you are taking this type of decision there are some implications. You reacted to a situation by saying since the other competitor is offering at a lower price, I am trying to match his price at best or even offer lower, but you have to look at what is going to be the long term implications of such decision making.

If you take an outlet like Big Bazaar, on Wednesdays he offers many of these vegetables at a much lower price compare to his competitors. He puts the condition that one can pick up only 2 kgs or 3 kgs of onions.

What does the usual cart vendors or others who do business of these onions or different vegetables do? They come to this big bazaar in large numbers that is their own group comes, and takes these 2 kgs, 3 kgs at a much lower price, and he will sell that good at a much higher price in his own cart or anywhere in this open market.

This type of implication also the marketing manager has got to study. Suppose the price of a particular good is at x, for a particular day if you say I am going to reduce it by 0.5 x, it becomes instead of x 0.5 x, what are the long term implications, what is going to happen? So, many of these vegetables may be perishable in nature and these vegetables have to be sold during a particular time frame.

You may be at an advantage or disadvantage with respect to the pricing decisions, which the marketing manager has to watch very closely. In other words, the job of the strategic marketing manager is a tough job, it is not an easy job. One is, he has to be constantly looking at, what is happening in the market place. Second is whatever decisions he is going to take, it will have implications. Implications with respect to the company as a whole and he has the obligation to explain, why he took this decision if asked by the management.

He has to convince the management as to why these decisions are taken from his side. In other words, this strategic marketing manager always has to be very objective in his decision making. Clarity in decision making is called for.

In order to enable him to do this he may get inputs from the corporate also, that is the company might provide him lot of inputs saying that take example of Big Bazaar. They may provide him reliance fresh is pricing this product at this rate, Wal-Mart is pricing at this rate all those types of things might be, these inputs might be provided to him from the corporate body of this big bazaar itself.

Depending on the type of inputs that he is getting, he may have to change the roles for different products and markets. For different products and markets, you may have to change adopt different roles for a perishable market a different role, for a durable market a different role. Consumer durables may call for a different pricing strategy, consumer perishables may call for a different pricing strategy. In other words, this marketing mangers job that is the strategic marketing mangers job is extremely challenging and he has to be watch full always.

The business landscape in which he is operating is poses for him so many challenges on an hour to hour basis, when this challenges are coming to him on an hour to hour basis, he has to many times act pro actively or reactively. When you go to many of these stores you may find so, many sales people also there, you may also find so, many middle level managers also being there assisting the sales people. Why they are assisting the sales people? They are helping them with many decision making inputs.

Whenever they are suppose some supply of some material is not there the job of this middle level manager is to find out how can this supply get augmented or immediately replenished. All these types of decisions are taken by middle level marketing managers.

This is in other words, strategic marketing and corporate strategy, they are intertwined; you cannot separate, but as I mentioned earlier when you are looking at a strategic marketing you are looking at a business unit, by just summating this strategies of the different business units you are not going to get the corporate strategy, that is just the some are not going to result in the corporate strategy.

When you are looking at the corporate strategy you look at a more holistic picture, compared to what you are looking at with respect to the business unit. So, this is how the strategic marketing and the corporate strategy are linked and also slightly different.

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What are the strategic implications of all these? When you are looking at strategic implications, you are looking at from marketing aggregation to targeting. You may like to aggregate different market segments, saying for this particular product we can look at so, many segments 1 2 3 4 5.

Take for example, the washing machine. You may have different models of washing machines; one could be semiautomatic, second could be fully automatic, one could be semiautomatic with not full drying semi drying, a fully automatic not with full drying, but 80 percent drying, then there could be a separate drying unit itself. So, you may take the cloths which are dried to get into 100 percent drying by putting into this drying unit.

There may be suppose it is a cold region you may like to opt or the consumer might like to opt for this drying unit also, because there is he may not have place, or he may not get that sun shine, to get that remaining 20 percent drying. He may say I am using this washing machine here and I am putting it also to the drying, you find this very commonly in place in most of the western countries you have a drier. And, that drier makes it 100 percent dry your cloths are 100 percent dried in this.

When you are looking at segments, you are looking at market aggregation unto targeting. That drying unit may be very useful in the western context, it may not be so, useful in the Indian context. You may you may find that the Indian consumer is quite happy or contented with the washing machine. He may not require the drying unit separately. He may be happy with his 70 percent or 80 percent drying, which the washing machine gives, he puts it for drying outside and in a few hours this gets dried fully.

That what is the this is the first implication he has to get from market aggregation to targeting markets, that is segmenting the markets according to particular targets. All these terminologies are becoming or is getting used differently in the market now, you call it a niche market segment. When you say it is a niche market segment, you have to find out what is this niche which this particular product is targeting on.

Take the example of this Nirma washing powder. So, it is it was concentrating on a niche marketing, that is it was concentrating on a market which was highly susceptible to price. That is people whole could not afford your surf, but wanted to use a washing powder at a much lower price, that is the lower income strata of the Indian society, the Nirma was targeting. He was targeting such that this section could afford this particular washing powder.

But, since this particular segment the sales in this particular segment of this Nirma washing powder increased to such a level, it became a threat to surf only. The result was Hindustan lever had to come out with promotional campaigns as to differentiate the cloths, which were washed by Nirma and that by surf. This advertising or promotion helped to find surf it is due recognition in the market place.

The second one is what are we trying to do - what is the strategic marketing manager trying to do? He is with respect to the organization or the brand or the product he is putting a positioning map in the intended customers mind. He is saying- take the same example which I gave you Nirma, a middle class user or a higher income segment user, would never look at Nirma. He would look at surf only or products in that range, why he would look at it because the attributes of surf (Refer Time: 29:06) Nirma, they are different according to him in his intended mind set.

Similarly, if you look at different brands with respect to TVs you may say LG is at this level compared to that your Panasonic is at a different level, compared to that the Sony is at a different level. Which one you can afford LG may be available to you at a lower rate Panasonic, a little higher Sony much higher which one do you want to take. Depends on the customer's budget and where he wants to get associated the brand; the brand positioning.

In this whole scenario what it implies is the brand equity of a product? So, a brand equity of a product comes into play and that brand equity gets depending on the value of the brand a higher or a lower value to your product. In order to get to this positioning in the intended customers mind, you many times marketing managers make use of symbolism, that is strategic use of symbolism.

If you see the mobile phones now, the latest version of the android phone, you get a symbol suppose your phone is not answered you get a symbol where a figure comes saying that your contact may be out of reach. So, he shows by a symbol. You do not have to really look at what is the voice which is coming in the symbolism is enough to tell you, you are not able to reach your the person to whom you phoned.

The implications of all this is terrific with respect to product innovations and value decisions. Keep on innovating your products. In other words, what is happening is in a competitive market scenario, there is a lot of value which gets which gets attached to the feedback of the customer. And, depending on the type of feedback which comes from the customer side the product innovations start coming into play.

You start innovating on your product continuously this is not a onetime process. It is a continuous process and where this value decisions come into play suppose, I innovate like this what is going to be the effect on price that is the impingement on the price of the product. Now, what is happening in the present market scenario? The markets have become digital online.

Two things are happening here; one is your e shopping is becoming more pronounced, but many times in e shopping you may not get the feel of the product. The consumer might like to have a feel of the product, then sometimes he may say I would like to go to store physically and feel the product before making a decision to buy the product. Then e-shopping fails to address that particular criterion.

Now, what are you seeing with respect to all these digital marketing and other types of online marketing? You are seeing a terrific spurt with respect to business to business markets and also consumer markets. You may your seeing so, many online marketing companies, catering to different consumer needs, even your whether it is your vegetables, or your groceries, or many other items like your cloths. The online market is coming in straightly to your house and telling this is available to you, why do not you order.

e-shopping, B to B markets and consumer markets have changed the scenario, in which the present marketing is operating. You have a lot of changes which has come into the market place. The result is you have tremendous opportunities, if you are able to adapt to this situation. Tremendous opportunities are getting open for you if you are able to adapt to this change as a player, we stop here we will continue in the next class.