Integrated Marketing Management
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Lecture - 20
Market Demand, Concept Testing

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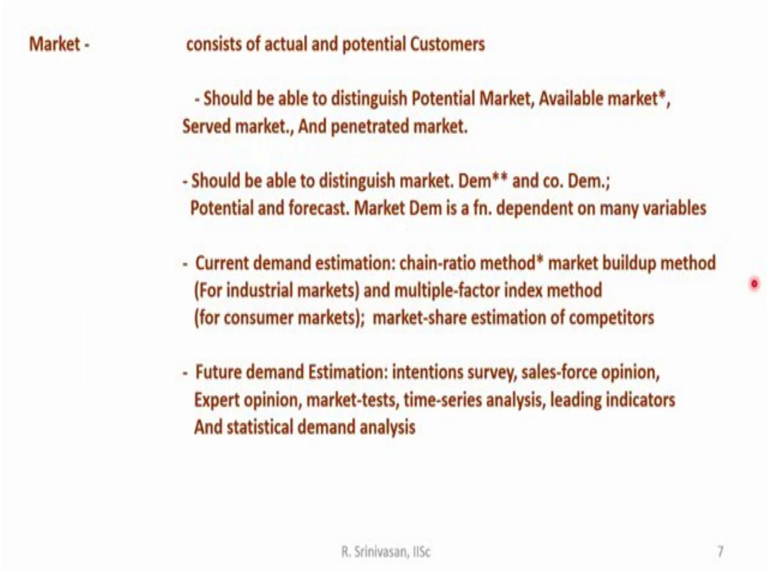

So, welcome back now we look at markets. Now if you look at markets these markets consist of actual and potential customers.

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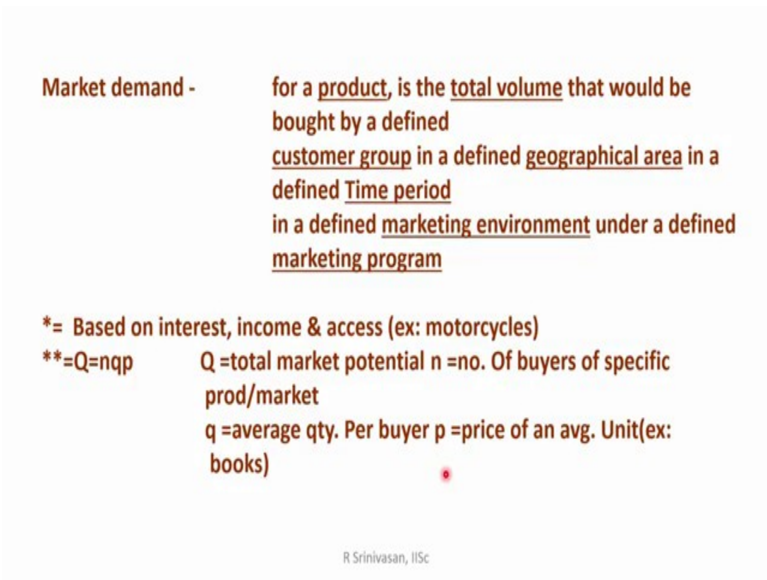

What is this actual and potential customers? If you look at this, that is you must be able to distinguish what is a potential market, what is an available market, what is a served market and what is a penetrated market. So, if you look at that you may find that your demand is based on this potential market one; that is there is a potential for this particular market to take place.

But the available market maybe much more than the actual potential market that is take for example, the TVS automobiles; the available market for the TVS vehicles may be throughout the country. But it might concentrate more on the south and the western part of the country and to a lesser extent on the northern and the other parts of the country may. Now, the scenario has changed where its concentration is increasing on that also.

So, there is a certain amount of potential market which it might concentrate on. And then when it concentrates on that particular potential markets and settles that particular market region only then it becomes the served market. And what is this penetrated market? This is where the sales of the firm is coming from; you may find that maximum sales of TVS is coming from the south followed next by the west of the country next by the north and last by the east.

So, the its might be the scenario which you might be having. It also throws up indicators for you that is through the company how popular the company's brand name is visualized. So, TVS might be visualized as a quality product coming from a quality brand in the automotive market. So, the result is the consumer might say yes this product is coming from TVS should be good that type of scenario.

So, this in a market you should also be able to distinguish between market demand and company demand that is what do you mean by market demand? The market demand is this summation of the demands of the different companies put together, it might be at x 1 plus x 2 plus so many xs put together and you are might be yours might be just takes one. So, the market demand might be 1000; you might your demand for your product might be only 50.

So, you should not confuse this market demand with the company demand; company demand always maybe lower compare to the market demand. The second one which you should do is look at the potential and the forecast why are you looking at the market potential and the forecast? This potentially is likely suppose it is likely to be 1000; you are looking at the forecast of the demand for the company. You may say this year I satisfied out of this 1050 next year can I go up to 55. What are the types of variables which are going to influence this demand?

So, this whole market demand as I told you is a function of dependent on many variables, you make use of different variables to determine the market demand and then your company demand. So, you may make use of different methods; one of the methods that you make use of is what is called the chain ratio method or the market buildup method for industrial markets or you may make use of what is called the multiple factor index method for consumer markets. And you may like to see what is a market share estimation of the competitors?

Suppose you are at 50 out of 1000 what does it tells you? It you the other players who are competitors for you or walking away with 950; you are a smaller player in the market place ok. So, as I told you in the BCG matrix when you move towards 10 x on the x axis you are the market leader; when you are at x only you are not the market leader.

So, many times if you look at the company like earlier it was MICO now it is MICO Bosch which makes this sparkplugs, what is the market share of MICO or Bosch in the present day with respect to the spark plug market? According to many estimates they put it around between 97 to 98 percent it caters to really in nearly 97 to 98 percent of the market demand the remaining two percent is taken by other players.

So, though there may be some other players in a market place they are not able to really match this Bosch with respect to the spark plug market even to this day. Take the future demand estimation how do you do this? This man can be done by intention survey or sales force opinion or expert opinion or do a market testing then you may do a time series analysis or you may do a leading indicators or you can do a statistical demand analysis or you can use a combination of all this.

So, in a market, you are looking at actual and potential customers actual customers are those whom you have served that is you are been able to reach. Potential customer sees that large set which is available to you which you have not been able to really reach out to fully. So, that leads you to one potential market, available market, served market and the penetrated market comes out with what is called the market demand and the company demand; you try to do a potential and their forecast, then you make the current demand estimation and the future demand estimation.

The future demand estimation coming out from intentions, surveys, sales force opinion, expert opinion, market test, time series analysis, leading indicators and statistical analysis. With this background we are now in a position to give what is called a formal definition for market demand. The formal definition for market demand for a product is the total volume that would be bought by a defined customer group in a defined geographical area in a defined time period in a defined marketing environment under a defined marketing programs so, many defines are coming you see.

So, what are you trying to do by putting so many defines you are helping yourself. So, this is also the case with respect to an astrologer marketer is also an astrologer when you look at it ok. So, when you are looking at when you are going to an astrologer he is like he used to recite to you one of the verses what is the verse which he used to recite to you he used to tell you [FL]. What does it mean? It means that, you have come to me to ask what is in store what I am doing as an astrologer.

I am trying to analyze the planetary positions with respect to you your horoscope and telling you this is likely to happen. But I am only a human being predicting this, but it may not happen. Suppose it does not happen what is it? It is [FL] that is destiny it is not in my hands I am only suggesting to you that these things you can expect. So, what is the end this thing, astrology can be used only as a guide similarly marketing demand estimation can by enlarged be used as that guide, but you are reinforcing with so many scientific and statistical techniques.

Because the competition is very intense for any product or any this thing which is coming in a market in the Indian condition; you may still end up not getting the full result that was predicted by the models. So, your market research or marketing intelligence or marketing models might predict for you a particular result, but may not come; when it does not come you should not get unduly disheartened.

Suppose your market research tells the demand to be 100 units, the firm is very happy if it can get 50 units and above. Suppose it is able to make 70 units due to your market research study then your market research study the company considers it to be extraordinary 50 it is quite happy, what does that mean? It is happy with 50 percent of what you have said; you said 100, the company is going to prepare itself for brace itself for a demand of 50 on leave.

So it is not going to produce a 100 it will say well let us produce 50. Now, if it if that demand is satisfied it is very happy after satisfying the demand its company still feels there is some unsatisfied demand which you it could have satisfied. So, it goes up to 50 60 then 65 or 70 then it considers your market research to be extraordinarily effective ok. So, in a way, when the astrologer makes predictions suppose 50 percent of his predictions come true you should you should consider that he is he has done a very good job. So, for 70 percent of it comes true then he has given an extraordinary job.

Similarly, the market researcher, 50 percent of what he said has come true the company is very happy; 70 percent of it coming true the company thinks that the market researcher has done an extraordinary job. So, you will find that in the present days Silicon Valley in Bangalore when so many firms are fighting for orders, the marketing department many times over promises the customer. It oh can this be done yes it can be done we are in a position to do it, but it is the implementing departments who are put to terrific problem they will keep on fighting with the marketing department why did you say we can do this when we are not in a position to do it ok.

So, this is a day in and day out problem with most of the software firms which are there in the Silicon Valley in Bangalore; fighting with the marketing why are you promising them moon when we cannot do deliver the moon for the customer. But the marketing department is also under intense pressure to bring orders to the company it says come on these orders have to come when these orders have to come so, there has to be so, many promises made to the potential customer.

Now, depending on all of this we can give an equation Q is equal to n q p; that is capital Q is equal to n q p as the demand where capital Q refers to the total market potential, n is the number of buyers of a specified product or a market and small q is the average quantity per buyer, p is the price of an average unit say you take a book like Kotler marketing management by Kotler. What is the price of that book? Let us say you put it around 600 or 600 and 50 rupees in the present scenario, so this average price you say maybe 650 to 700.

So, then you say how much does a buyer buy normally he is if he is an individual buyer he is happy buying one quantity that is one textbook of this Kotler. But there are many people who may buy Kotler, but not read Kotler as a student you may be interested in reading Kotler ok. So, that segment also to be taken to find out what is the total market percent potential. There may be many libraries which may like to stock number of copies of Kotler.

So, again giving you what is the total market potential and all these studies that Q is equal to nqp gives you more or less the type of market potential which you can expect for a product like a simple product like a book maybe a marketing management book of Kotler. So, all these comes due to three things one is a earlier which we looked at the motorcycle market, maybe the interest of the consumer to ride your motorcycle, then the income affordability and then the access that is whether you are motorcycle that is we looked at the TVS automotive brand whether it is available in the marketplace.

Then you can using this, you can calculate the total market potential by this equation Q is equal to nqp that is where Q is the total market potential n is the number of buyers of specific product or market then q is the small q is the average quantity per buyer and p is the price of an average unit example books.

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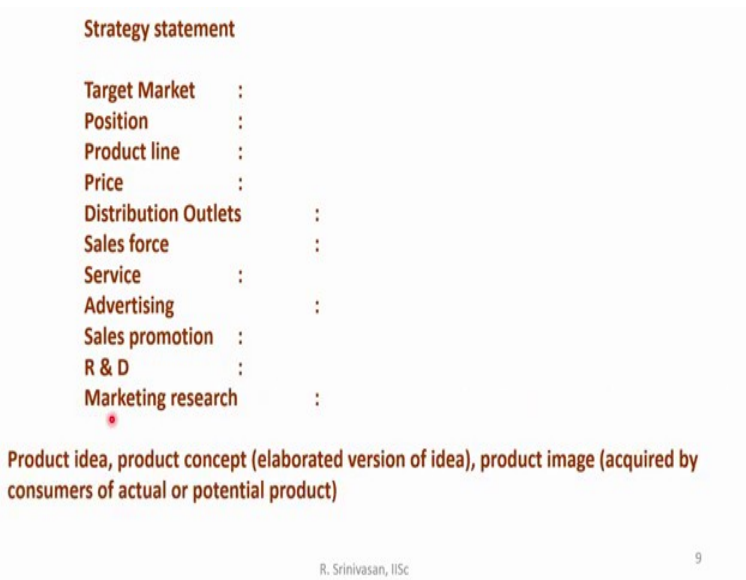

So, now with all this armed with all this how should the marketing strategy statement look like? So, we have looked at all these things, we have looked at the models, we are looked at how to do a potential or a forecast then how should this strategy statement looked at a market? The strategy statement should specify what is a target market where are you positioning your product in this in this target market at what level are you positioning? The first quadrant or the second quadrant or the third quadrant or the fourth quadrant.

So, we looked at one of the types of matrices that can be used. So, whether it is a question mark or a star or a cash cow or going into the dogs that is a, b, c, d matrix. And what is the type of product lines that you are going to put into the marketplace. Then how are you pricing this product and how will this product be distributed that is your distribution outlets what is the sales force required for this and what is the service that you are going to provide after the sales is done. Then comes the advertising, then comes the sales promotion, then comes the R and D, then comes the marketing research oh.

Suppose you look at a marketing strategy statement, you have to specify all these things you have to look at the target market, you have to look at the position, you have to look at the product line or to look at the price, you have to look at the distribution outlets, you have to look at the sales force, you have to look at the service look at the advertising sales promotion R and D and marketing research.

All this leads you to look at straight from a product idea, to a product concept what is this? It is an elaborated version of an idea, then a product image that is acquired by consumers of actual or potential product. So, you look at a strategy statement, then you minutely look at your product ideas, product concepts, then what is the type of product image that you are looking at it.

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So, in other words there is a continuous process of development which you have to get involved in, before you say this concept I am going to make use of. What I have presented to you here is a simple product concept. Let us say you add a powder to milk to increase its nutritional level and taste this is an idea which came to you. Let us say, I add a powder to milk to increase its nutritional level and taste.

So, many times you see many energy drinks saying that you sometimes many times doctors also tell you take this energy drinks your energy levels will increase, you will be able to if you are a sportsman, you are running at this level, you may be able to run faster all those types of things. Suppose you are getting this type of an idea, then you may look at these concepts; concept 1, it can be an instant breakfast drink for adults who want a quick nutritional breakfast without preparing it.

So, you do not have to elaborately go through the preparation process, you make this drink that is you put this powder to your milk and it increases the taste and also at the nutritional levels. So, you get more calories more energy all those types of things all coming to you very fast. The second concept could be it can be a tasty snack drink for children that is a mid day refreshment. When the child is done with his or her food so, give them as the end this tasty snack drink.

And the concept 3 is it can be looked upon as a healthy supplement for the aged before retiring for the day. So, before the persons retire for the day, you may say take this drink you will have a good sleep and when you are up in a morning you will you are very healthy looking fresh all those types of things. So, depending all of these concepts, you may position this concept in the product positioning map you may say you may look at it as a low cost quick preparation.

And your market can be your breakfast market, your brand positioning map can be instant breakfast market, where you look at it as a medium price medium calorie or low price low calorie product you say. You many times people do not want to put so many calories into their system they say reduce the number of calories.

So, depending on what the market wants, you may develop the product according to the taste of the market, it can be a low cost quick preparation, it can be medium priced or a medium calorie or it can be a low price low calorie product; you will find you find all these types of products in large numbers. You see so many milks from Nilgiris from other manufacturers each of them saying that, it gives it gives a boost in energy when you take this in when you take this whether it is for a breakfast or whether it is for a mid day refreshment or when you retire.

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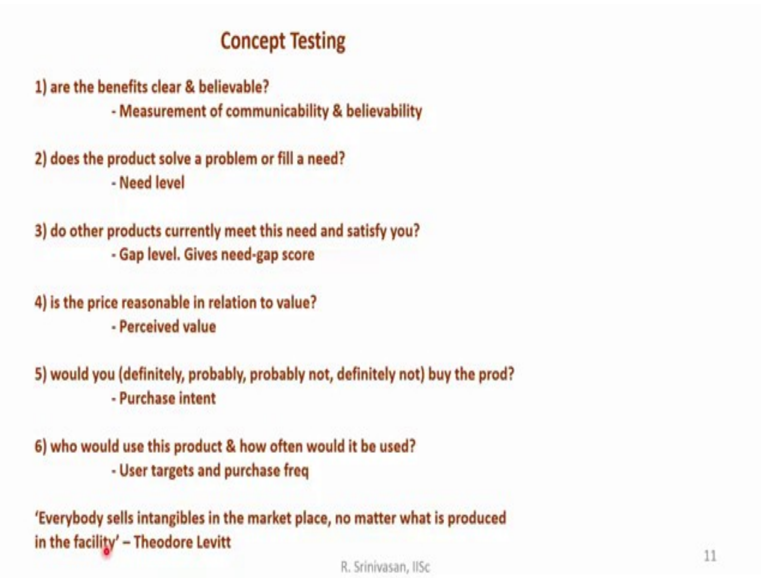

So, this is a type of development which comes. But when you are giving this concept development the one thing which come see is how do you test these concepts? So, you said so many things, how do you test all of these concepts? You can test all these concepts by some of these yardsticks what is the type of yardsticks you are going to adopt? 1, whether the benefits are clear and believable that is you took this milk is the taste good do you find that there is a burst of energy or you are having a higher energy level than what you had initially.

So, in other words are all the benefits clear and believable this is called measurement of communicability and believability. Then the second thing which you might like to know is does the products solve a problem or fill a need? So, you may many times not like to put your family members to undue stress before you are going for duty in a morning time. So, you may say let them be relaxed instead of making a big breakfast for them let us have this breakfast drink and we off to the bus stop or whatever.

Then this is called the need level does the product solve a problem or fill a need that is giving you the need level. Now, you may like to find out whether there are other products which are currently meeting this need and satisfying the customer, that is it gives the gap level or gives the need gap score. Suppose that was the demand for the product is 100 let us say and what is being satisfied is let us say only 20; that means, there is still space for 80 more to come into this; gives the need gap score. Is the price reasonable in relation to value?

Suppose you price it at x; so most of these milks are priced at in the present day circumstances between 30 to 35 rupees. Suppose you say your product is priced at this value say 28 rupees or 29 rupees. Then the question that you have to ask is the price reasonable in relation to value that is a perceived value? Then as a consumer you may like to find out whether a consumer would definitely probably not and or definitely not buy the product.

So, the product is introduced are you going to purchase that product or not gives what is called the purchase intent ok. Then you may like to also find out who would use this product and how often would it be used? We live be happy with one milk this thing or he may like to use two quantities of that, it may be your two tetra packs or it may be your two bottles whatever it is. So, what does it tell you? It gives you the user targets and also the purchase frequencies.

So, suppose you say even the aged persons also require this as a drink before signing off for the day. Now, suppose you come to the conclusion it is not just the aged person others might also like to use this drink before retiring for the day. So, you will get the targets user targets and the purchase frequency that you may they may be you may expect from this market. So, if you really go to a place like Big Bazaar, you will find these types of milks available in large quantities, it is a large quantity; this thing many times saying you take 3; that is pay for 3 take 4 that is the fourth one comes free to you.

So, he may price it at 35 rupees or 40 rupees but when you pay 120 rupees, you will get 135 rupees free the result is you are getting that 120 rupees 4 bottles or 4 tetra packs coming to you the result is you are paying only 30 rupees per bottle in the end. With all this there is one more statement which is attributed to this great man Levitt, he says that with all this also everybody sells intangibles in the marketplace, no matter what is produced in the facility your product might be very good; it may have very good characteristics.

But still you may not get the desired sales level you expected that is dependent on so many intangibles in the marketplace. The market gets influenced in the whole this thing ok. We stop here we continue in the next class.