UNIT IV: MARKETING MIX (PRODUCT, PRICE, PLACE, PROMOTION)

MARKETING MIX (4 Ps)

PRODUCT	PRICE	PLACE	PROMOTION
• Features • Branding • Packaging • PLC • NPD	• List Price • Discounts • Allowances • Credit Terms • Strategies	• Channels • Coverage • Logistics • Locations • Inventory	• Advertising • Personal Selling • Sales Promotion • Public Relations • Direct Marketing

PART 1: PRODUCT DECISIONS

1.1 Concept & Product Levels

A **Product** is anything that can be offered to a market to satisfy a want or need.

Kotler's 5 Product Levels Model:

1. **Core Benefit:** Fundamental need being met (e.g., hotel room $\rightarrow$ sleep/rest).
2. **Basic Product:** Functional physical product (e.g., bed, bathroom, towels).
3. **Expected Product:** Attributes buyers normally expect (e.g., clean bedsheets, working TV).
4. **Augmented Product:** Attributes/services that exceed expectations and differentiate the product (e.g., complimentary breakfast, free high-speed Wi-Fi).
5. **Potential Product:** All possible transformations and augmentations the product might undergo in the future.

1.2 Classification of Products

- **Consumer Goods:**
  - *Convenience Goods:* Bought frequently, immediately, with minimal effort (e.g., soap, milk).
  - *Shopping Goods:* Higher risk, compared on suitability, quality, price (e.g., clothes, furniture).
  - *Specialty Goods:* Unique characteristics, strong brand preference, major buying effort (e.g., luxury watches, sports cars).
  - *Unsought Goods:* Consumers don't know about or normally think of buying (e.g., life insurance, fire extinguishers).
- **Industrial Goods:** Materials & parts, Capital items, Operating supplies and business services.

1.3 Product Line & Product Mix Decisions

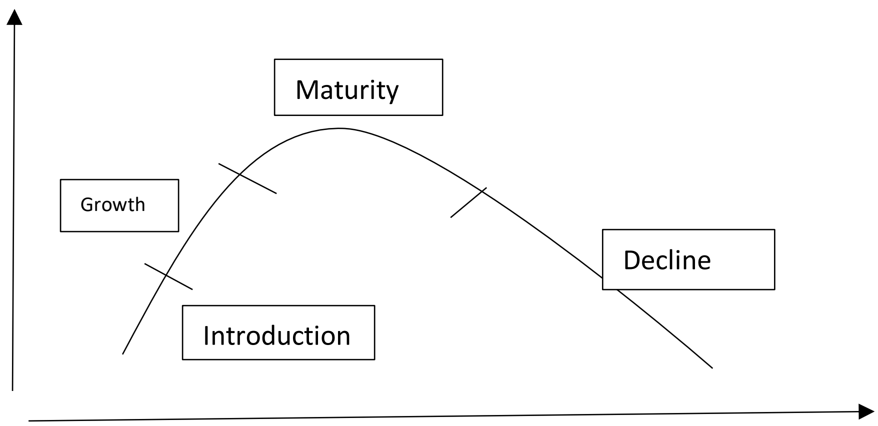
- **Product Line:** Group of closely related products that perform a similar function, are sold to the same customer groups, or fall within given price ranges (e.g., Samsung Galaxy S-series phones).
- **Product Mix (Product Assortment):** The set of all product lines and items that a seller offers.
  - **Width:** Number of different product lines.
  - **Length:** Total number of items across all lines.
  - **Depth:** Number of variants/options offered for each product in a line.

- **Consistency:** How closely related the various product lines are in end use or distribution channels.

1.4 Branding, Packaging, and Labelling

- **Branding:** Creating a distinct name, symbol, sign, design, or term to identify and differentiate a product from competitors. Building **Brand Equity** gives commercial value to the brand name.
- **Packaging:** Designing and producing the container or wrapper for a product.
  - *Primary Packaging:* Immediate container (e.g., toothpaste tube).
  - *Secondary Packaging:* Outer protective box discarded before use.
  - *Shipping/Transportation Packaging:* Corrugated boxes for freight movement.
- **Labelling:** Displaying printed information on the package (brand identification, grade, ingredients, usage instructions, legal disclosures).

1.5 Product Life Cycle (PLC) & Strategic Implications



Product lifecycle

Dimension	**Introduction Stage**	**Growth Stage**	**Maturity Stage**	**Decline Stage**
Sales	Low	Rapidly Rising	Peak Sales	Declining Sales
Costs	High per customer	Average per customer	Low per customer	Low per customer
Profits	Negative / Low	Rising profits	High profits	Declining profits

Dimension	Introduction Stage	Growth Stage	Maturity Stage	Decline Stage
Customers	Innovators	Early Adopters	Middle Majority	Laggards
Competitors	Few	Growing number	Stable / Consolidation	Declining number
Marketing Objective	Create product awareness & trial	Maximize market share	Maximize profit while defending share	Reduce expenditure & milk the brand
Strategy Focus	Offer basic product; Skimming or Penetration price	Offer product extensions & service guarantees	Modify market, product, and marketing mix	Cut unprofitable SKUs, harvest, or divest

1.6 New Product Development (NPD) Process

NEW PRODUCT DEVELOPMENT (NPD) PROCESS

1. Idea Generation
2. Idea Screening
3. Concept Development & Testing
4. Marketing Strategy& Development
5. Business
6. Product Development & R&D Prototype
7. Test Marketing
8. Commercialization

1.7 Consumer Adoption Process

The mental process through which an individual passes from first hearing about an innovation to final adoption:

Awareness >Interest > Evaluation > Adoption

Adopter Categories (Rogers' Innovation Diffusion Curve):

1. **Innovators (2.5%):** Risk-takers, try new ideas first.
2. **Early Adopters (13.5%):** Opinion leaders, adopt early after careful consideration.
3. **Early Majority (34%):** Deliberate adopters, adopt before average person.
4. **Late Majority (34%):** Skeptical, adopt only after majority has tried it.
5. **Laggards (16%):** Traditionalists, suspicious of change, adopt last.

PART 2: PRICE DECISIONS

2.1 Concept & Significance of Pricing

Price is the amount of money charged for a product or service, or the sum of all values that customers exchange for the benefits of having or using the product or service. Price is the **only element in the marketing mix that produces revenue**; all other elements represent costs.

2.2 Factors Affecting Price Determination

FACTORS AFFECTING PRICING	
INTERNAL FACTORS	EXTERNAL FACTORS
• Marketing Objectives	• Nature of Market & Demand
• Marketing Mix Strategy	• Competitors' Costs, Prices & Offers
• Production & Operating Costs	• Macro Environmental Conditions
• Organizational Considerations	• Legal and Government Rules

2.3 Pricing Methods & Techniques

1. Cost-Based Pricing

- **Cost-Plus / Mark-up Pricing:** Adding a standard mark-up percentage to the product's cost.
- **Break-Even / Target Return Pricing:** Setting price to break even on costs or reach a specific targeted rate of return.
  - $\text{Break-Even Volume} = \frac{\text{Total Fixed Costs}}{\text{Selling Price per Unit} - \text{Variable Cost per Unit}}$

2. Value-Based Pricing

- Setting price based on buyers' perceptions of value rather than on the seller's cost (e.g., Apple iPhone, luxury brands).

3. Competition-Based Pricing

- **Going-Rate Pricing:** Setting prices largely based on competitors' prices.
- **Sealed-Bid Pricing:** Firms bid for jobs based on expectations of how competitors will price rather than rigid cost structures.

2.4 Pricing Policies and Strategies

- **Market-Skimming Pricing:** Setting a high initial price for a new product to "skim" maximum revenues layer-by-layer from segments willing to pay high prices (e.g., new tech releases).
- **Market-Penetration Pricing:** Setting a low initial price for a new product to penetrate the market quickly and deeply, attracting a large buyer volume and market share (e.g., Reliance Jio launch).
- **Psychological Pricing:** Pricing that considers the psychology of prices (e.g., odd pricing like ₹999 instead of ₹1,000).
- **Dynamic Pricing:** Adjusting prices continually to meet the characteristics and needs of individual customers and situations (e.g., surge pricing in Uber/Ola, flight ticket algorithms).

PART 3: PLACE (DISTRIBUTION) DECISIONS

3.1 Nature and Functions of Distribution Channels

A **Marketing Channel / Distribution Channel** is a set of interdependent organizations involved in the process of making a product or service available for use or consumption.

Key Channel Functions:

- Risk taking
- Financing transactions
- Physical distribution & logistics
- Promotion & information dissemination
- Matching & sorting inventory

3.2 Channel Levels / Types

CHANNEL STRUCTURES

1.Direct (Zero-Level Channel):
Manufacturer ————————————————> Consumer
2.One-Level Channel:
Manufacturer ————————> Retailer ————> Consumer
3. **Two-Level Channel:**
Manufacturer ———> Wholesaler —> Retailer ————> Consumer
4. **Three-Level Channel:**
Manufacturer —> Agent —> Wholesaler —> Retailer ——> Consumer

3.3 Channel Management Decisions

1. **Selecting Channel Members:** Evaluating experience, growth potential, solvency, and reputation.
2. **Training & Motivating Channel Members:** Using trade promotions, cooperative advertising, and sales contests to build relationship partnerships.
3. **Evaluating Channel Members:** Comparing performance against sales quotas, delivery times, inventory levels, and customer satisfaction metrics.
4. **Channel Conflict Management:** Resolving **Horizontal Conflict** (among firms at the same channel level) and **Vertical Conflict** (between different levels of the same channel).

PART 4: PROMOTION DECISIONS

4.1 Communication Process Model

Sender ──> Encoding ──> Message & Media (Noise) ──> Decoding ──> Receiver

Feedback

4.2 The Promotion Mix Components

PROMOTION MIX	
1. Advertising	Any paid form of non-personal presentation and promotion of ideas, goods, or services by a sponsor.
2. Personal Selling	Personal interaction by firm's sales force to make sales and build customer relationships.
3. Sales Promotion	Short-term incentives to encourage purchase or sale of a product or service (e.g., discounts, coupons).
4. Public Relations	Building good relations with corporate publics via favorable publicity, corporate image, handling rumor.
5. Direct & Digital Mktg	Direct engagement with targeted individual consumers (e.g., emails, social media ads, SMS marketing).

4.3 Media Selection & Advertising Effectiveness

- **Media Selection Factors:** Reach, frequency, impact, target audience media habits, and cost per thousand (CPM).
- **Measuring Effectiveness:**
  - *Communication Effect:* Testing if the ad communicates the intended message clearly (pre-testing and post-testing recall).
  - *Sales Effect:* Measuring impact on total sales volume and ROI.

4.4 Sales Promotion Tools & Techniques

- **Consumer Promotion Tools:** Samples, coupons, price packs, cash refunds/rebates, premiums, loyalty rewards, point-of-purchase (POP) displays, contests.
- **Trade Promotion Tools:** Price-offs, allowance, free goods, push money, co-op advertising allowances.

UNIT V: EMERGING CONCEPTS IN MARKETING MANAGEMENT

Topic 5.1: Modern & Contemporary Trends in Marketing

EMERGING CONCEPTS IN MARKETING		
1. Digital Marketing	2. Green Marketing	3. Rural Marketing
4. Service Marketing	5. Direct Marketing	6. Experiential & Buzz Mktg

A. Digital & Social Media Marketing

- **Definition:** Promoting products and services using digital media, channels, search engines, websites, and social media platforms.
- **Key Components:**
  - **Search Engine Optimization (SEO):** Organic visibility on search results.
  - **Pay-Per-Click Advertising (PPC):** Targeted paid search and display campaigns.
  - **Social Media Marketing (SMM):** Content engagement on platforms like Instagram, LinkedIn, and YouTube.
  - **Content & Influencer Marketing:** Collaborating with content creators to build authentic brand trust.

B. Green Marketing & Sustainability

- **Definition:** Marketing products or services based on environmental benefits. It incorporates product modification, sustainable packaging, eco-friendly manufacturing, and green advertising.
- **Core Drivers:** Environmental regulations, rising consumer eco-consciousness, and long-term corporate sustainability goals.
- **Risk (Greenwashing):** Deceptively marketing a firm's products or policies as environmentally friendly when they are not.

C. Rural Marketing (Indian Context)

- **Definition:** Planning and execution of marketing activities specifically designed for rural markets to fulfill rural consumer demands.
- **The 4 As Framework for Rural Marketing:**

THE 4 As OF RURAL MARKETING	
1. Affordability	Offering small unit packages (e.g., sachet packaging) at accessible price points.
2. Availability	Ensuring deep distribution networks in remote villages and haats/melas.
3. Awareness	Employing customized local media, street plays (nukkad natak), and regional language ads.
4. Acceptability	Designing functional products suited for rural conditions (e.g., sturdy, dust-proof products).

D. Service Marketing & Expanded 7 Ps Framework

- **Intangibility, Inseparability, Variability, Perishability (IVIP Characteristics):** Services cannot be seen before purchase, are produced and consumed simultaneously, vary depending on provider, and cannot be stored.
- **Extended 3 Ps for Services (Making 7 Ps):**
  1. **People:** Staff and employees involved in service delivery.
  2. **Process:** Procedures, mechanisms, and flow of activities by which service is consumed.
  3. **Physical Evidence:** The environment in which service is delivered (ambient conditions, layout, branding materials).

E. Direct & Interactive Marketing

- Connecting directly with targeted individual consumers to obtain an immediate response and cultivate lasting customer relationships (e.g., telemarketing, catalog marketing, direct email, SMS).

F. Experiential & Buzz Marketing

- **Experiential Marketing:** Immersing consumers in memorable sensory and emotional experiences created around a brand.
- **Buzz / Viral Marketing:** Creating exciting, shareable media or events that generate word-of-mouth discussion among prospective buyers.