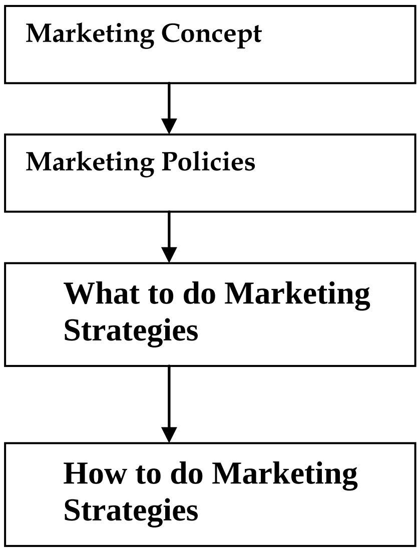
## 10. MARKETING MANAGEMENT

Marketing management refers to distribution of the firm's product or service to the customers in order to satisfy their needs and to accomplish the firm's objectives.
Marketing includes developing the product or service, pricing, distribution, advertisement, merchandising, doing personal selling, promoting and directing sales and service to customers.
Marketing is an essential function because unless the firm has a market, or can develop a market, for its product or service, other functions of staffing, producing and financing are futile.




**Developing Marketing Strategies**

**Fig.5.1 Schematic View of Marketing Functions**

e importance of customers to a firm.
those needs can be satisfied.

c) Decide what advantage that will give a competitive edge over other firms.
- Meeting customer's needs
- Learning customer's needs
- Conscious about the firm's image
- Looking for danger signals

**Market Segmentation**
A market should be defined in terms of various characteristics such as economic status, age, education, occupation and location. The best opportunity is to identify a market segment that is not well served by other firms. In determining the firm's market segment, the fundamental aspects to be considered are:
a) What is the place of the firm in the industry and how it can compete with others?
b) Whether the firm is known for its quality or price.
c) Image of the firm among the customers.
d) If the firm has limited number of customers the reasons for it.

A common error found in many retailing firms is ' straddling the market' or attempting to sell both high quality and low quality goods. As a result, the retailer has a limited inventory of everything but does not have a good selection of anything. In sum, the firm should assess its share in the market. This perception is possible only when the firm stresses quality, reliability, integrity and service rather than low prices.

**Strategic Marketing Policies**
Formulation of strategic marketing policies for certain areas would consider:

1) Morality and public service
2) Product
3) Market
4) Profit
5) Personal Selling
6) Customer relations
7) Promotion
8) Credit Policies
9) Use of Credit card

**1) Morality and Public Service**

Policies on morality and public service consist of general statements expressing your firm's desire to be honest in its dealings with public and its customers.

**2) Product**

The small firm often finds its most effective competitive weapon in the field of product strategy. It may concentrate on narrow product line, develop a highly specialized product service or provide a product service – 'package' containing an unusual amount of service. Competitor's products, prices and services should be examined to determine whether the firm can build a better product.

**3) Market**

Market policies are designed to clarify with geographic areas the firm wishes to serve and other marketing characteristics appropriate for the firm.

**4) Profit**

Profit policies may require that sales goals be specified that will provide the fir a sufficiently large sales volume or profit as percentage of sales may be specified which calls for low marketing costs.

**5) Personal Selling**

Personal selling policies may range those guiding the structure of the firm's sales organization to those covering the sales representative's behaviour.

**6) Customer Relations**

The firm's relationship with its customers may be indicated with a question? Should the firm have a policy that customer is always right?

**7) Promotion**

The pattern of the firm's advertisement may reveal the firm's promotion policies. The firm should follow a policy of tasteful advertising at all times. Sales promotion may be restricted to trade shows or to industrial publications or to some other advertising media.

**8) Credit Policies**

In order to stimulate sales, customer should be provided with credit. However, an appropriate credit policy is esse3ntial to be successful in granting credit.

**9) Use of Credit Cards**

Now a days plastic credit cards are being used by many of the people, hence the sales against credit cards will attract middle income to high-income customers as customers in retail stores.

**Approaches to Marketing Strategies – What to do?**

Marketing strategy refers to how firm meets the needs of the market better than its competitors. There are really two problems involved, namely, determining available strategies and choosing the one to be used by the firm.

## Available Marketing Strategies

1) Analyze present and future market situation
2) Shape the product to suit the market
3) Evaluate the company's resources
4) Keep informed about the competitors

**How to do Marketing Strategies**

This is also called Means of Strategies and it includes:

1. Market research and sales forecasting
2. Pricing the product or service
3. Determining the channels of distribution
4. Conducting advertising, merchandising and sales promotion.

**1. Market Research and Sales Forecasting**

Areas to be considered are:

a) Identification of customers for the product or service of the firm
b) Determination of customers needs
c) Evaluation of sales potential for the firm
d) Indexing of sales potential in the firm's trading area

### Steps in Market Research

a) Recognition of a problem
b) Preliminary investigation and planning
c) Gathering factual information
d) Classifying and interpreting the information
e) Reaching a conclusion

### Sources of Marketing Information

**Secondary Sources of Published Data:** Secondary sources contain data originally compiled and published elsewhere e.g. Business India.

**Primary Source of Published Data**: A primary source of published data consists of compilation and initial publication of data e.g. Census report.

**Primary Source of Unpublished Data**: Firm's records, external data collected from dealers, customers and competitors.

**2. Pricing the Product or Service**

One half of the failures in small business can be traced to a product or service that was being sold at the wrong price.

**Relating Price to Costs:** All items should be priced at a level to provide an adequate profit margin.

### Setting a Price Strategy

The firm's goal should be to find the price – volume combination that will maximize profits. The product, price, delivery, service and fulfillment of psychological needs form the total package that the customer buys. The price should indicate the product image.

**Price cutting:** It should be considered as a form of sales promotion. Price cutting will be useful wherever the added sales resulting from price-cutting offsets the added cost. However, in case of inelastic demand price – cut will not increase sales.

### Other Aspects of Pricing

**i) Mark – up Pricing:** An initial mark- up price should cover operating, particularly selling expenses, operating profit, and subsequent price reduction. An initial mark- up may be expressed as a percentage of sales price or product cost. Mark – up price is needed to meet competitor's prices and promotional activities.

**ii) Price Lining** refers to offering of merchandise at distinct price levels. Shirts sold at Rs.50, Rs.75, and Rs.100 etc. Income level and buyer's desires of a store's customers are important factors. Advantages of price lining are the simplification of customer's choice and reduction of the store's minimum inventory.

**iii) Odd Pricing:** small businesses managers believe customers will react more favourably to prices ending in add numbers. E.g. Rs.13, Rs.15, Beta prices- Rs. 179.95, Rs. 499.95.

**3. Determining Channels of Distribution**

A marketing channel is the pipeline through which a product flows on its way to its ultimate consumer.

a) **Design own channel of distribution:** Channels should be tailor- -made to meet its needs of firm. New products commonly require different distribution channels from those needed for products, which are well established and widely accepted.
b) **Avoid multiple channels**: Multiple distribution channels sometimes create conflicts. Distribution will be adversely affected unless these conflicts are resolved.
c) **When to change the channel:** Change in buyer's location may dictate a change in marketing channels. Changes in concentration of buyers may also require a change in marketing channels.

**4. Advertising, Merchandising and Sales Promotion**

Advertising is used to inform the customers of the availability of the firm's products or service and the uses they can make of them, and to convince customers that the firm's products are superior to its competitor's products. In order to be successful, advertising should be based on the firm's capability to provide quality workmanship and efficient service. It should be closely related to changes in customer's needs and desires.

**Merchandising and Sales Promotion**

**Merchandising** denotes the promotional efforts made for a product or service in retailing firms, especially at the point of purchase. It includes window displays, banners, shelf stickers, the label and package of the product, product demonstration, giving samples and special price offer.

**Sales promotion** consists of activities that have the purpose of making other sales efforts (e.g. advertisement) more effective. Some other popular sales promotion techniques are:

a) Special displays
b) Offering premium
c) Running contest
d) Distribution of free samples
e) Offering free introductory services
f) Demonstrating products

In spite of all efforts spent in doing market research, sales forecasting and advertising and sales promotion, some one ultimately must do some personal selling of products or services.

**Selling through Agent Middlemen**

a) **Broke**r: A broker represents either the buyer or usually, the seller for negotiating packages or sales without physically handling the goods. A broker possesses only limited authority in setting prices and terms of sales. After the sale is over, the seller ships the goods directly to buyer and the broker receives commission.
b) **Selling Agent**: The selling agents perform on the basis of an extended contracts and negotiates all sales of a specialized line of merchandise or the manufacturer's entire output. Usually, the agent has full authority concerning prices and terms and is the sole seller for the line represented and is not given market area.
c) **Manufacturer's Agent**: the manufacturer's agent or representatives is an independent business person who sell a part of output of two or more client manufacturers whose products are related but non-competing, on a continuous or contractual basis in a limited or exclusive territory. Manufacturers use agents more often than any other type of agent middlemen. The agents do not take title to the goods, are paid a commission and have little or no control over prices, credit or other terms of sales.
d) **Firm's Sales Representative**: Sales are effected through the firm's own sales representative.

**The Marketing Mix**

In considering the needs of their customers, companies must think in terms of the *product* itself, the *price* of the product and the *place* where the customers needs it, while making sure that the existence of the product is known through effective *promotion.* These various components are described in more detail below

**Product**

The product is the focus of marketing. Although many aspects of the product are not marketing responsibilities (such as production and processing), marketing is concerned with the product's attributes and what these mean to the customer. Such factors include quality, appearance and performance.

**Price**
Price creates sales revenue and is therefore important in determining the total value of the sales made. Price is really determined by what customers perceive as the value of a commodity or service. It is important to understand how customers value commodity or service as well as how much they are prepared to pay in relation to the benefit they expect to earn.
**Place**
The place factor deals with the various methods of transporting and storing commodities and then making them available to the customer. Getting the product to the right place at the right time depends on the distribution system. The choice of distribution method will depend on market circumstances and the nature of both the commodity and the customer.

## Promotion

**Promotion is the business of communicating with and influencing the customer. Although the cost associated with promotion can be a significant element in the overall cost of a product, successful product promotion increases sales so that costs are spread over a larger output. While increased promotional activity may be a response to competitor activity or a new product launch, it is important to maintain a constant flow of messages to the consumer as well as visibility in the market place.**

## Mix

Mix is an appropriate word to describe the marketing process, as it is a blending of ingredients to fulfill a common purpose. Each ingredient is vitally important and each depends upon the other for its contribution. Different markets will require a different balance of ingredients. The mix should comprise:

## A time scale

A company must have a plan, which indicates when it expects to achieve its objectives, both in the short, medium and long term

## Strategic elements

**These will involve the overall development strategy of the company and require considerable judgment and expertise; such decisions might involve the development of a new product range or a new distribution system**

*Tactical or medium-term elements*

**The business environment requires constant monitoring; a company should have sufficient flexibility in order to react quickly to changing market circumstances, e.g. in response to competitor activity, which may require changes in pricing and promotional strategies or amendments to marketing plans**

*Short-term operational elements*

**These involve predictable everyday decisions such as contacts with customers, organizing advertising and point of sale material, and planning distribution.**