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Higher Education for All

Marketing Management

COURSE CODE: M25BS07DC

Master of Business Administration

Discipline Core Course

Self Learning Material



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SREENARAYANAGURU OPEN UNIVERSITY

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The State University for Education, Training and Research in Blended Format, Kerala

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Vision

To increase access of potential learners of all categories to higher education, research and training, and ensure equity through delivery of high quality processes and outcomes fostering inclusive educational empowerment for social advancement.

Mission

To be benchmarked as a model for conservation and dissemination of knowledge and skill on blended and virtual mode in education, training and research for normal, continuing, and adult learners.

Pathway

Access and Quality define Equity.

Marketing Management

Course Code: M25BS07DC

Semester- II

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Discipline Core Course
Master of Business Administration
2025-26 Admission
Self Learning Material
(With Model Question Paper Sets)

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Marketing Management

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Semester- II
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Academic Committee

Prof. (Dr.) S. Santhosh Kumar
Dr. R. Vasanthagopal
Dr. B. Vijayachandran Pillai
Dr. Hareesh N Ramanathan
Dr. Sreesha C.H.
Dr. Renjni D.
Dr. Sangeetha K. Pratap
Dr. Prashanth M.K.
Dr. Devi Soumyaja

Development of the Content

Mohammed Aslam A.
Ashish John Ashok
Amar Shariar

Review and Edit

Dr. Devakumar P.S.

Scrutiny

Mohammed Aslam A.
Ashish John Ashok
Amar Shariar
Dr. Viji Vijayan

Cover Design

Jineshkumar S

Co-ordination

HoS
School of Law & Business Studies

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MESSAGE FROM VICE CHANCELLOR

Dear learner,

It gives me immense pride and heartfelt satisfaction to welcome you to Sreenarayanaguru Open University—a transformative space where aspirations are nurtured, potential is unlocked, and futures are shaped with purpose.

Established in September 2020 as a pioneering state initiative, the University stands as a symbol of inclusive, accessible, and high-quality higher education. Anchored in our guiding philosophy—"access and quality define equity" —we are committed not merely to expanding educational opportunities, but to ensuring that every learner receives an education that is meaningful, relevant, and transformative.

Our journey is deeply inspired by the timeless vision of Sreenarayana Guru, whose ideals of knowledge, equality, and social empowerment continue to illuminate our path. His philosophy reminds us that education is not just a means to an end, but a powerful instrument for personal growth, societal progress, and human dignity.

In a rapidly evolving and digitally driven world, we recognize that learning must be flexible, dynamic, and future-ready. Our thoughtfully designed blended learning ecosystem—integrating Self-Learning Materials, Classroom Counselling, and Virtual Learning Platforms—ensures that you experience the best of both independence and guided academic engagement. This model empowers you to learn at your own pace while staying meaningfully connected to academic support systems.

The MBA programme at Sreenarayanaguru Open University is not just a degree—it is a gateway to leadership, innovation, and professional excellence. The curriculum is meticulously curated to reflect the realities of the contemporary global business landscape, seamlessly blending foundational management principles with cutting-edge developments in business and technology.

You will explore and engage with:

- Strategic management and entrepreneurial thinking
- Digital transformation, FinTech, and emerging technologies
- Logistics, supply chain, and global business ecosystems
- Consumer behaviour and evolving market intelligence
- Human resource management in the age of Artificial Intelligence
- Ethical leadership and sustainable decision-making

Designed with a multidisciplinary and future-oriented perspective, the programme offers diverse specializations, skill enhancement pathways, and exposure to innovative domains that align with industry expectations. It is structured to strengthen your employability, entrepreneurial mindset, and leadership capabilities—equipping you to excel in competitive and complex professional environments.

Our Self-Learning Materials are crafted with exceptional care, combining conceptual clarity with real-world relevance through case studies, contemporary examples, and practical insights. They are designed not only to inform but to inspire critical thinking, problem-solving, and adaptability—skills that are essential in today's disruptive and ever-changing business world.

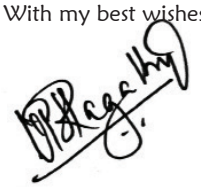
At the heart of our mission lies an unwavering commitment to learner success. Our comprehensive learner support system is always within your reach, ensuring that your academic journey remains smooth, enriching, and fulfilling. We encourage you to actively engage, explore, question,and grow—because your success is the true measure of our purpose.

As you begin this important journey, I invite you to dream boldly, learn continuously, and lead responsibly. Let this programme be a stepping stone towards achieving your ambitions and mak-

ing a meaningful impact in the world.

May your journey here be one of discovery, empowerment, and excellence.

With my best wishes for your success and lifelong learning.



Regards,
Dr. Jagathy Raj V. P.

01-10-2026

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Fundamentals of Marketing

Unit 1

Introduction to Marketing

Learning Outcomes

After completing this unit, learner will be able to:

- ◊ explain the meaning, nature, scope and importance of marketing
- ◊ describe the evolution of marketing and major marketing concepts
- ◊ analyse the functions of marketing and their contribution to customer and organisational value
- ◊ differentiate between selling and marketing

Background

Marketing is an integral part of modern business activity because organisations cannot achieve their objectives without understanding the people and markets they seek to serve. Every organisation, whether engaged in manufacturing, retailing or providing services, needs to identify customer needs, develop suitable offerings, make them available, communicate their value and build relationships with customers. As markets become increasingly competitive, customers have greater choices and access to information, making it important for organisations to understand not only how to sell products but also how to create and deliver value.

The meaning and role of marketing have also changed over time. Organisations have gradually moved from a primary concern with production and product availability towards greater emphasis on selling, customer needs, value creation and long-term relationships. This development has made marketing a broader managerial activity that influences decisions relating to products, pricing, distribution, promotion and customer relationships. Marketing also interacts closely with other organisational functions such as production, finance, human resources and research and development.

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For managers, therefore, an understanding of marketing is important not merely for promoting and selling products but for understanding how organisations identify market opportunities, respond to customer needs and create value. Studying the fundamentals of marketing provides the foundation for understanding the nature, scope, importance and functions of marketing, the evolution of marketing thought, the different marketing concepts, the distinction between selling and marketing, and the basic elements of the marketing mix. These concepts provide a basis for understanding more specialised marketing decisions and strategies in subsequent units.



Keywords

Marketing, marketing management, marketing concept, exchange process, marketing functions, marketing environment, consumer value, marketing mix, selling, relationship marketing



Discussion

1.1.1 Introduction to Marketing

Human beings are social animals. Human needs and wants are shaped by the interplay of various social forces. Marketing evolves through this peculiar social system. It involves relationships among members of the society. It helps business enterprises to estimate consumer demand and produce for their satisfactory consumption. It helps in anticipating customer demand and creating satisfied customers through conception, production, promotion and physical distribution of goods and services in a socially relevant exchange process.

Marketing is a crucial function in all organisations and is becoming increasingly crucial to success in our modern global economy. Marketing provides businesses with a competitive edge by helping to acquire loyal customers. Organisations achieve this by convincing potential customers that the product will satisfy their requirements efficiently and consistently. This is what all businesses dream of and it is possible only with a solid marketing plan in place. With the advent of the internet, there are several marketing channels available to businesses, besides traditional marketing. All of them focus on engaging the customers and persuading them to buy the product.

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1.1.2 Marketing - Meaning and Definition

The word 'Market' is derived from the Latin word 'Marcatus', which means goods or trade or place where business takes place. Traditionally, the Market is the physical or virtual location where buyers and sellers come together to exchange their goods. Normally, ownership and possession of goods transfers from seller to buyer for money. 'Marketer' is a person who identifies goods and services for a set of customers, and does marketing those goods and services for companies to boost their sales and services and generate better revenue through effective marketing strategies. The set of marketing tools used by organisations to meet the marketing objectives in a target market is called Marketing mix. Market research is where research activities are focused on a specific market only, whereas in Marketing research, the research activities are conducted broadly on identifying marketing opportunities and solving problems.

According to the American Marketing Society, "Organisational function and processes for creating, communicating and delivering value to customers and maintaining proper customer relationships is called Marketing."

According to Philip Kotler; "Marketing is a social and managerial process by which individual groups obtain what they need and want through creating, offering and freely exchanging value of product and services with others." He is popularly known as the father of modern marketing.

The primary objective of every organisation is to meet human and social needs. Marketing as an organisational function is also focused on how to "meet the needs profitably." The discipline of Marketing Management is the art of choosing target markets and tapping (getting), keeping and growing customers through creating, delivering and communicating customer value. It can also be viewed as a science because of the wide use of scientific tools in it.

Basic terms in Marketing

- ◊ **Buyer :** A buyer is an individual or an organisation who buys product or service.
- ◊ **Seller** : A seller is an individual or an organisation who sells products or services as part of its business operations.
- ◊ **Consumer** : is a person who ultimately uses the final product or service. A consumer may or may not have purchased the product or service. For e.g. If you buy a gift for someone, you are the customer and the person receiving the gift is the consumer.
- ◊ **Customer** : is a person or organisation that makes a purchase and are directly involved in the transaction and pay for the goods or services. A customer can be both a customer and a consumer if they purchase something for their own use. For e.g. you buy a laptop for yourself, you are both the customer (the one who made the purchase) and the consumer (the one who uses the laptop).

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- ◊ **Market** : can be referred to as a place where buyers and sellers meet to do exchange of goods or service. Normally, ownership and possession of goods transfers from seller to buyer for money.
- ◊ **Marketing Channel** : refers to the mode or path through which a business delivers its products or services to its customers. It includes all the entities involved in the process, such as retailers, wholesalers, distributors, and even digital platforms. These channels ensure that the product moves from the producer to the consumer in an efficient way.
- ◊ **Product** : A physical thing or a service which a business offers to customers to meet their needs.

1.1.3 Nature of Marketing

Marketing is a complex business function and is a part of our daily life. The discipline of marketing can be better understood by analysing the nature of marketing. The following points explain the nature of marketing.

i. **Managerial function:** Marketing is an important managerial function which involves planning, organising, implementing and controlling activities related to product, price, place and promotion to create customer value and achieve organisational objectives.

ii. **Consumer oriented:** Marketing is a human activity that focuses on understanding and satisfying consumer needs and wants. Customer needs and expectations are therefore central to marketing decisions.

iii. **Continuous activity:** Marketing is a continuous process that involves understanding customer needs, developing suitable offerings, communicating their value, making them available to customers and maintaining customer relationships. It continues even after a sale through customer support and other relationship-building activities.

iv. **Art and science:** Marketing is both an art and a science. It involves creativity, experience and managerial judgement, while also making use of systematic analysis, research, data and other scientific techniques to understand markets and make decisions.

v. **Goal oriented:** Marketing activities are directed towards achieving organisational objectives while creating value and satisfaction for customers. Profitability is an important organisational objective, but marketing also seeks to build customer satisfaction, loyalty and long-term relationships.

vi. **Exchange process:** Marketing facilitates the exchange of goods, services or other offerings between parties. Although many exchanges involve money, marketing is not limited to monetary transactions. Exchange may involve money or other forms of value.

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vii. **Social activity:** Marketing is a social activity because it involves interactions among individuals, organisations and society. It focuses on creating value for customers while also considering the interests of other stakeholders and society.

viii. **Creation of utilities:** Marketing contributes to the creation of value by making products available in the right place and at the right time and by facilitating their transfer to customers. Distribution activities particularly contribute to place, time and possession utilities.

ix. **Helps in making production decisions:** Marketing information helps organisations understand market demand, customer preferences and competitive conditions. Such information supports production and product-related decisions regarding what to produce, when to produce and how much to produce.

x. **Generates employment and supports social welfare:** Marketing facilitates production and distribution activities and thereby contributes to employment generation and economic activity. Marketing can also contribute to social welfare by making useful goods and services available to consumers and by facilitating competition and choice.

xi. **Integrated process:** Marketing is an integrated process that interacts with other functional areas of an organisation, such as production, finance, human resources and operations. Coordination among these functions is necessary to create customer value and achieve organisational objectives.

xii. **Guiding activity:** Marketing provides important information and direction for business decisions by helping organisations understand what customers need, which markets to serve and how offerings should be developed and delivered. Thus, marketing can guide decisions regarding what to produce, when to produce and how much to produce.

1.1.4 Scope of Marketing

It is difficult to explain the scope of marketing briefly because of its wide coverage from an organisational perspective. The scope of marketing extends from understanding customer needs and conceptualising offerings to creating, communicating, delivering and exchanging value with customers. The scope of marketing mainly covers the following areas:

i. Marketing Research

To find out customer needs, wants, tastes and preferences, interests, economic position, purchasing power and the effectiveness of marketing activities, organisations conduct marketing research. The techniques used in marketing research include data collection, tabulation, classification, analysis and interpretation to understand what customers are likely to buy, why they may buy it and how much they may be willing to pay. Questionnaires and other research methods can be used to obtain information and feedback from customers.

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ii. Pricing

Pricing decisions are important as they directly influence sales, revenue and profitability. Pricing decisions may be based on factors such as the cost of production, purchasing power of customers, market demand, competitors' prices and the desired profit. An appropriate pricing policy has to be formulated by the marketing manager in coordination with other functional areas, taking into consideration customer value, competition and the other elements of the marketing mix.

iii. Advertising and Sales Promotion

It is important to make customers aware of a product and create interest in a competitive market. Therefore, advertising and sales promotion are important elements of marketing communication. Marketers are responsible for communicating the value of their offerings to target customers by effectively selecting appropriate communication media and promotional methods. Newspapers, magazines, television, radio, outdoor media, the internet and digital platforms are some of the commonly used media. In addition to these, marketing managers may use personal selling and other innovative promotional techniques to inform and persuade target customers.

iv. Channels of Distribution

In a competitive and increasingly global market, distribution channels play an important role in bringing products and services from producers to customers. Marketers are involved in selecting appropriate channels of distribution, which may include direct selling, distributors, wholesalers, retailers, sales agents and digital channels. The choice of channel depends on factors such as the nature of the product, characteristics of the target market, geographical coverage, cost, perishability, size and weight of the product and the level of service required. The choice of distribution channel can also influence pricing and customer service decisions.

v. Financing

Marketing activities require adequate financial resources. Marketing managers therefore need to prepare budgets and allocate resources for activities such as marketing research, advertising, sales promotion, distribution and customer service. Financing may also be facilitated through arrangements such as trade credit and customer financing schemes, depending on the nature of the product and industry. However, decisions relating to the overall financing of the organisation are generally coordinated with the finance function.

vi. After-Sales Service

In an increasingly competitive market, after-sales service plays an important role in customer satisfaction, retention and loyalty. Services such as warranty support, repair and maintenance, installation, return or replacement of defective products and customer assistance can enhance the overall customer experience. Effective after-sales service can therefore provide a competitive advantage and encourage repeat purchases and positive word-of-mouth. For example, in the consumer electronics industry, the availability and quality of after-sales service can influence customers' choice of brands.

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The above activities are interrelated and do not operate independently. Marketing also involves activities such as product planning, market analysis, sales management, customer relationship management and marketing planning and control. The relative importance of these activities varies according to the nature of the organisation, product, market and industry.

1.1.5 Importance of Marketing

Marketing plays an important role in the functioning of modern organisations and contributes to the well-being of society and consumers. Its importance can be understood from the following perspectives.

A. To the Society

i. Improving standard of living

Marketing contributes to improving the standard of living by identifying and responding to changing needs and wants and by making a variety of products and services available to consumers. It encourages organisations to develop products and services that provide greater convenience, comfort and value. The availability of products that save time and physical effort can improve the quality of everyday life. Thus, marketing contributes to improving the standard of living of consumers.

ii. Generating employment opportunities

Marketing generates employment opportunities both directly and indirectly. Directly, marketing provides employment in areas such as advertising agencies, sales forces, distribution, public relations, market research and digital marketing. Indirectly, successful marketing helps sustain demand for products and services, supporting production and employment in other functional areas such as finance, operations, research and development and human resource management. Thus, marketing contributes to employment generation across different sectors of the economy.

iii. Supporting economic development and stability

Marketing facilitates the exchange and distribution of goods and services and helps organisations connect production with consumer demand. When products and services are successfully marketed, organisations can sustain their operations and generate income and employment. The resulting economic activity contributes to the functioning and development of the economy. Effective marketing can therefore support economic growth and stability.

B. To the Firms or Companies

i. Contributing to organisational revenue and profitability

Marketing plays a vital role in generating revenue by connecting an organisation's offerings with customers and markets. While marketing is not the only function responsible for organisational success, effective marketing can contribute to sales, customer retention and profitability. If a company's products or services satisfy

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customer requirements, satisfied customers may make repeat purchases and recommend the offerings to others. Thus, marketing contributes significantly to the long-term sustainability and growth of a firm.

ii. Providing a source of new ideas

Marketing can be an important source of new product and service ideas. Marketing personnel are in regular contact with customers, distributors, retailers and other market participants. Their interactions and market research can help organisations identify the strengths and weaknesses of their own products and those of competitors. They can also identify unmet customer needs, changing preferences and features that customers expect from products or services. Such information can support the development of new products and services and help firms respond to changing market conditions.

iii. Providing direction for future business decisions

Marketing provides valuable information for strategic decision-making by helping organisations understand customers, competitors, market trends and emerging opportunities. A market-oriented organisation can use this information to identify potential markets, develop new offerings and plan its future activities. Thus, marketing can contribute to the formulation of long-term business and corporate strategies.

C. To the Consumers

i. Meeting unmet needs and wants

Marketing helps organisations identify unmet or inadequately satisfied needs and wants and encourages the development of products and services to address them. Through market research, customer feedback and interaction with the market, organisations can identify problems and develop suitable solutions. For example, pharmaceutical companies may develop affordable formulations and new products to address different healthcare needs and improve access to medicines.

ii. Providing greater choice and value

Marketing increases consumer awareness about the products and services available in the market and enables consumers to compare different alternatives. Competition among organisations encourages firms to improve product quality, service, convenience and value. Consumers may therefore benefit from a wider range of choices and offerings that better suit their needs and purchasing power.

iii. Facilitating convenience and access

Marketing facilitates the availability of products and services at convenient locations and through suitable channels. The development of retail networks, e-commerce platforms, home delivery services and digital payment facilities has made it easier for consumers to search for, compare and purchase products and services. Thus, marketing can improve convenience and accessibility for consumers.

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1.1.6 Evolution of Marketing

Exchange is one of the origins of marketing activity. When people need to exchange goods and services, activities related to marketing naturally emerge. Wroe Alderson, a leading marketing theorist, pointed out, "It seems altogether reasonable to describe the development of exchange as a great invention which helped to start primitive man on the road to civilization." Production becomes meaningful when there is a system through which goods and services can reach those who need them. An adage goes as: "Nothing happens until somebody sells something."

Although marketing has always been associated with business activity, its importance and orientation have varied over time. The development of marketing thought is commonly explained through different stages or orientations. The following table identifies five broad stages in the evolution of marketing: the production era, the product era, the sales era, the marketing era and the relationship marketing era.

Table 1.1.1 The Evolution of Marketing

Era	Prevailing attitude and approach
Production	• Consumers favour products that are available and highly affordable.• Improve production and distribution efficiency.• Availability and affordability are considered important to customers.
Product	• Consumers favour products that offer the most quality, performance and innovative features.• "A good product will sell itself."
Sales	• Consumers will buy products only when the company actively promotes and sells them.• Creative advertising and selling are expected to overcome consumers' resistance and persuade them to buy.
Marketing	• Focuses on the needs and wants of target markets and delivering satisfaction better than competitors.• "The consumer is king! Find a need and fill it."
Relationship Marketing	• Focuses on creating and maintaining long-term relationships with customers and other partners.• Long-term, value-creating relationships with customers and other partners contribute to organisational success.

In the production era, the production orientation dominated business philosophy. Business success was often associated strongly with production efficiency. The focus was on improving production and distribution efficiency and achieving economies of scale. The goal was to make products affordable and widely available to buyers.

In the product era, the emphasis shifted towards product quality, performance and features. It was assumed that consumers would prefer products offering superior quality

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and performance. The idea that "a good product will sell itself" reflects this orientation. However, a technically superior product does not necessarily guarantee market success. A product must also address a need or want that customers recognise as valuable.

In the sales era, firms placed greater emphasis on selling and promotional activities. Organisations assumed that customers might resist purchasing products that were not considered essential and therefore relied on intensive selling and advertising to persuade customers to buy. However, selling is only one component of the broader marketing process.

The marketing era marked a significant shift in organisational thinking from a primary focus on products and selling towards customer needs and wants. The marketing concept emphasised identifying the needs of target markets and satisfying them more effectively than competitors. This orientation became particularly important as markets became more competitive and customers had greater choices. Companies therefore had to focus not merely on producing goods and services but also on understanding and satisfying customer requirements. The key principle of this approach is customer orientation. Different functions of the organisation need to work together to create and deliver customer value.

The relationship marketing era represents a further development of the customer-oriented approach. Organisations increasingly focus on establishing, developing and maintaining long-term relationships with customers and other stakeholders, including suppliers and channel partners. This represents a broader view of marketing than a simple exchange between a buyer and seller. Relationship marketing emphasises long-term, mutually beneficial and value-creating relationships developed over time.

The evolution of marketing does not necessarily mean that one orientation completely disappears when another emerges. Elements of production, product, sales, marketing and relationship orientations may coexist depending on the nature of the organisation, product, industry and market conditions.

Table 1.1.2 Transaction Marketing v/s Relationship Marketing

Transaction Marketing	Relationship Marketing
Focus on individual transactions	Focus on long-term relationships
Short-term orientation	Long-term orientation
Limited communication	Continuous communication
Emphasis on single sale	Emphasis on retention and loyalty
Product/transaction value	Customer/relationship value
Limited post-sale interaction	Ongoing customer engagement

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1.1.7 Functions of Marketing

Marketing is a process that comprises a wide range of activities, from identifying customer needs and conceptualising a product to ensuring that the product reaches the final consumer and providing support after the sale. These activities are collectively referred to as the functions of marketing.

i. Identifying Consumer Needs

One of the first steps an organisation needs to take is to identify the needs and wants of consumers in the market. To do so, it must gather and analyse relevant information about customers and the market. A thorough understanding of customers helps the organisation in designing and developing products and services that are better suited to their needs.

ii. Planning

The next logical step is to prepare a marketing plan. The organisation must first be clear about its objectives and what it wishes to achieve. It then determines the activities and timelines required to achieve these objectives and develops appropriate marketing strategies accordingly. Marketing planning provides direction and helps coordinate different marketing activities.

iii. Product Development

Based on consumer research and market information, the organisation develops products or services that suit the needs of its target customers. Product design is also an important consideration for many products. For example, when buying a car, design may influence the customer's choice along with factors such as price, performance, safety, comfort and durability.

iv. Standardisation and Grading

Standardisation means establishing and maintaining uniform standards for products with respect to characteristics such as quality, size, design, weight or performance. Grading is the process of classifying products into different groups according to specified characteristics or quality standards. Standardisation and grading are particularly important in markets where products vary in quality, such as agricultural commodities, as they help buyers assess and compare products.

v. Packaging and Labelling

Packaging and labelling serve important functional and marketing purposes. Packaging helps to protect, contain, handle and transport the product, while labelling provides information that helps customers identify and understand the product. Packaging and labels can also contribute to product differentiation and influence consumer perceptions and purchase decisions.

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vi. Branding

Branding is an important marketing function through which a product or service is given a distinctive identity using a name, symbol, design or combination of these elements. Strong brands can create recognition, goodwill and customer preference in the market. Organisations may use an existing corporate or family brand or develop an individual brand identity for a particular product, depending on their marketing strategy.

vii. Setting up Customer Support Services

Depending on the nature of the product or service, organisations may need to provide a variety of customer support services. Pre-sales assistance, customer helplines, installation, maintenance, repair and technical support are some examples. Such services can improve customer satisfaction, strengthen relationships and contribute to customer retention.

viii. Pricing

Pricing is an important function of marketing because the price of a product or service influences customer demand, sales, revenue and profitability. Factors such as demand, market conditions, competition, costs, customer value and organisational objectives need to be considered when determining prices. Pricing decisions should also be consistent with the organisation's overall marketing strategy and other elements of the marketing mix.

ix. Promotion

Promotion involves communicating information about a product or service to target customers and encouraging them to consider and purchase the offering. The major elements of the promotion mix include advertising, personal selling, sales promotion, public relations and publicity. Organisations need to select an appropriate combination of promotional methods according to their target market, objectives and available resources.

x. Distribution

Distribution involves making products and services available to customers through appropriate channels. An organisation must select suitable distribution channels depending on factors such as the geographical concentration of the market, nature and shelf life of the product, customer requirements, distribution costs and organisational resources. Inventory management is also an important consideration in ensuring the availability of products when and where they are required.

xi. Transportation

Transportation refers to the physical movement of goods from the place of production or storage to the place of consumption or use. It is an important function of marketing because products need to be made available at the right place and time. Organisations consider factors such as distance, speed, cost, nature of the product and required service levels when selecting appropriate modes of transportation. Transportation

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becomes particularly important when products are distributed across different regions or countries.

xii. Warehousing

There is often a time gap between the production and consumption of goods. Products may also be seasonal, production may be irregular, or demand may fluctuate. Warehousing provides facilities for storing goods until they are required in the market. It helps maintain a continuous supply of products, manage fluctuations in demand and supply, and ensure that products are available at appropriate locations and times.

1.1.8 Concepts of Marketing

Marketing has a special significance in the management of business in modern times. Since the Industrial Revolution, business management has undergone significant changes in its approach towards markets and customers. These changes are reflected in different marketing concepts or philosophies adopted by organisations. The major concepts of marketing are:

A. Production Concept
B. Product Concept
C. Selling Concept
D. Marketing Concept
E. Societal Marketing Concept
F. Holistic Marketing Concept

A. Production Concept

The production concept is one of the oldest concepts in business. Managers of production-oriented organisations concentrate on achieving high production efficiency, low costs and wide distribution. They assume that consumers are primarily interested in products that are readily available and affordable.

This orientation may be appropriate in situations where the demand for a product is higher than its supply or where reducing production costs through economies of scale can make the product more affordable. It may also be adopted by organisations seeking to expand their market by making products widely available.

Some service organisations also operate with a production-oriented approach by focusing on efficiency and the number of customers they can serve. Although such an approach can improve efficiency and reduce costs, excessive emphasis on production efficiency may result in impersonal service or insufficient attention to customer needs and service quality.

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B. Product Concept

Managers who follow the product concept focus on developing superior products and improving them over time. They assume that consumers favour products that offer the most quality, performance and innovative features.

However, an excessive focus on the product can lead managers to become too closely attached to their own products and overlook changing customer needs and preferences. This may result in the "better-mousetrap" fallacy, where an organisation assumes that a technically superior product will automatically attract customers.

Product-oriented organisations may design products with limited customer input and rely heavily on their technical or engineering expertise. However, product development is more effective when technical capabilities are combined with an understanding of customer needs, competitor offerings and market conditions.

The product concept can also lead to marketing myopia, where an organisation defines its business too narrowly in terms of the product it produces rather than the customer need it satisfies. For example, railway organisations that viewed their business primarily as providing railway transportation could overlook competition from automobiles, buses and airlines. Similarly, organisations that focus only on their existing products may fail to recognise technological or changing customer preferences that can make those products less relevant.

Thus, a superior product alone does not guarantee marketing success. The product must provide value that customers recognise and seek.

C. Selling Concept

The selling concept assumes that consumers typically show buying inertia or resistance and must be persuaded to buy through intensive selling and promotional efforts. It assumes that organisations possess effective selling and promotional tools to stimulate demand. The selling concept is often practised with unsought goods, which are products that consumers do not normally think of purchasing or may not actively seek, such as certain types of insurance. Organisations marketing such products may use extensive personal selling and promotional activities to identify prospects and persuade them to purchase.

The selling concept can also be observed in certain non-profit and public contexts where organisations need to persuade people to support a particular cause, institution or candidate. In such situations, considerable emphasis may be placed on communication and persuasion. Many firms tend to adopt the selling concept when they have excess production capacity. Their primary objective becomes selling what they have produced rather than first determining what the market needs. Customers may therefore be exposed to extensive advertising, direct marketing and sales calls. As a result, people sometimes associate marketing mainly with selling and advertising. However, selling is only one part of the broader marketing process.

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The selling concept also carries certain risks. It may focus on achieving an immediate sale without giving sufficient attention to customer satisfaction and long-term relationships. If customers are dissatisfied after purchase, they may complain, switch to competing brands or communicate their negative experiences to others. Therefore, an organisation cannot depend solely on intensive selling for long-term marketing success.

D. Marketing Concept

The marketing concept represents a significant shift from a product- or sales-oriented approach towards a customer-oriented approach. Its central idea is that an organisation should identify the needs and wants of its chosen target markets and satisfy them more effectively and efficiently than competitors. The marketing concept holds that the key to achieving organisational goals is to create, deliver and communicate superior customer value to selected target markets. Instead of producing first and attempting to sell what has been produced, organisations following the marketing concept seek to understand customer requirements before making important product and marketing decisions.

To satisfy target customers, the organisation needs to identify their requirements and desires and develop an appropriate marketing mix. Marketing research and market analysis help organisations understand customers, competitors and changes in the market environment. The information obtained can then be used in marketing planning and decision-making. The marketing concept therefore emphasises customer orientation, integrated marketing efforts and achievement of organisational objectives through customer satisfaction and value creation.

E. Societal Marketing Concept

The marketing concept focuses strongly on satisfying customer needs and achieving organisational objectives. However, customer preferences and organisational objectives may sometimes conflict with the long-term interests of society. The societal marketing concept therefore extends the marketing concept by considering the well-being of consumers and society along with organisational objectives.

The societal marketing concept requires organisations to consider three broad factors while making marketing decisions:

- ◊ consumer needs and satisfaction;
- ◊ organisational objectives and profitability; and
- ◊ long-term societal well-being.

This approach gives importance to issues such as environmental protection, public health, responsible consumption and the social consequences of business decisions. For example, an automobile manufacturer may consider not only customer requirements such as performance and price but also fuel efficiency, emissions and environmental impact.

Similarly, organisations may incorporate environmentally responsible practices into product development, packaging, pricing, distribution and promotion. Thus, the societal

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marketing concept seeks to balance customer satisfaction, organisational interests and the long-term welfare of society.

F. Holistic Marketing Concept

Holistic marketing is a broader approach that recognises that all aspects of marketing are interconnected and that marketing should be viewed from the perspective of the organisation as a whole. It emphasises coordination among different marketing activities and organisational functions to create consistent and sustainable value for customers and other stakeholders.

The holistic marketing concept consists of four major components:

i. **Relationship Marketing:** Relationship marketing focuses on establishing, developing and maintaining long-term relationships with customers, employees, suppliers, distributors and other marketing partners. The objective is to create mutual value and strengthen customer loyalty and long-term organisational performance.

ii. **Integrated Marketing:** Integrated marketing involves coordinating different marketing activities so that they work together to create, communicate and deliver a consistent value proposition to customers. The elements of the marketing mix and various communication channels should therefore complement one another.

iii. **Internal Marketing:** Internal marketing recognises that employees and different departments within an organisation play an important role in delivering customer value. Employees need to be appropriately trained, motivated and coordinated so that the organisation can deliver the promised customer experience.

iv. **Socially Responsible Marketing:** Socially responsible marketing recognises that marketing decisions have consequences beyond the organisation and its immediate customers. Organisations need to consider ethical, social, environmental and legal responsibilities while creating and delivering value.

Thus, holistic marketing views marketing as an organisation-wide process rather than as the responsibility of the marketing department alone. It integrates relationship marketing, integrated marketing, internal marketing and socially responsible marketing to create long-term value for customers, the organisation and society.

Table 1.1.3 Concepts of Marketing

Concept	Primary focus	Typical managerial question
Production	Efficiency, availability and low cost	How can we produce and distribute efficiently?
Product	Quality, performance and features	How can we make a superior product?

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Selling	Promotion and sales	How can we persuade customers to buy?
Marketing	Customer needs and value	What do target customers need, and how can we satisfy them better?
Societal Marketing	Customer and societal welfare	How can we satisfy customers while protecting long-term societal interests?
Holistic Marketing	Integrated organisational and stakeholder value	How can all parts of the organisation work together to create long-term value?

1.1.9 Difference between Selling and Marketing

Marketing is much wider than selling and is a broader and more dynamic business process. There is a fundamental difference between the two. Selling primarily revolves around the needs and interests of the seller, whereas marketing focuses on understanding and satisfying the needs and interests of the buyer.

Selling generally starts with the existing products of the organisation and views business as a task of promoting and selling those products to customers. Marketing, on the contrary, starts with the needs of customers - present and potential, and views business as a task of understanding those needs and developing, pricing, promoting and distributing products and services that can satisfy them.

Selling seeks profits by persuading customers to purchase the products offered by the organisation. Marketing also seeks organisational objectives and profitability, but places greater emphasis on creating, communicating and delivering value to customers. Thus, marketing does not limit its role to persuading customers to accept what the organisation already has; rather, it considers customer needs while making decisions relating to products, prices, distribution and promotion.

The distinction between selling and marketing can also be understood from the perspective of the starting point and focus of each approach. Selling begins with the organisation's existing products and focuses primarily on converting those products into sales. Marketing begins with the market and customer needs and seeks to create an offering that provides value and satisfaction to the target customers.

Theodore Levitt highlighted this distinction by explaining that a marketing-oriented organisation takes its cues from the buyer and views the entire business as an integrated effort to discover, create and satisfy customer needs. Selling, in contrast, places greater emphasis on the techniques used to persuade customers to purchase the products already available.

The major differences between selling and marketing are presented below.

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Table 1.1.4 Difference between Selling and Marketing

Selling	Marketing
Selling starts primarily with the seller and the products available with the organisation.	Marketing starts with the market and focuses on understanding customer needs and wants.
The existing product is the starting point of the selling process.	Customer needs and market opportunities are important starting points for marketing decisions.
The primary objective is to convert products into sales and generate revenue.	The objective is to create, communicate and deliver customer value while achieving organisational objectives.
Emphasis is placed on persuading customers to purchase the available product.	Emphasis is placed on understanding customers and developing offerings that satisfy their needs.
Selling is primarily concerned with the transaction and immediate sales.	Marketing is concerned with customer satisfaction, value creation and longer-term relationships.
The organisation may focus on selling what it has already produced.	The organisation seeks to develop its offerings based on customer needs, market conditions and competitive considerations.
Promotional and selling techniques receive major emphasis.	Product, price, place and promotion are considered together as part of an integrated marketing strategy.
Profit is primarily pursued through increased sales volume.	Profitability is pursued through customer value, satisfaction, retention and effective marketing decisions.
The customer is often viewed as the final recipient of the product.	The customer is placed at the centre of marketing decision-making.
Different business functions may operate with relatively less coordination around the selling task.	Marketing requires coordination among different functions to create and deliver customer value.
The emphasis is often on short-term sales results.	Greater emphasis is placed on sustainable customer relationships and long-term organisational performance.

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Selling is one component of the broader marketing process.	Marketing includes selling as one of its activities but extends beyond selling to research, product planning, pricing, distribution, promotion and customer relationship management.

Thus, selling and marketing are not synonymous. Selling is an important part of marketing, but marketing is a broader process that begins before a product is developed and continues after the sale through customer satisfaction, service and relationship-building.

1.1.10 Marketing Mix

The marketing mix refers to the set of controllable marketing elements that an organisation combines and coordinates to achieve its marketing objectives in a target market. The concept of the marketing mix emphasises the need to make marketing decisions in accordance with customer needs, market conditions and organisational objectives.

According to Borden, "The marketing mix refers to the appointment of efforts, the combination, the designing and the integration of the elements of marketing into a programme or mix which, on the basis of an appraisal of the market forces will best achieve an enterprise at a given time."

Stanton describes the marketing mix as the combination of the four inputs that constitute the core of a company's marketing system: the product, the price structure, promotional activities and the distribution system.

Traditionally, the marketing mix is represented by the Four Ps:

- ◊ **Product** : the goods or services offered to satisfy customer needs;
- ◊ **Price** : the amount or value exchanged by the customer for the offering;
- ◊ **Place** : the distribution channels and arrangements through which the offering is made available to customers; and
- ◊ **Promotion** : the activities used to communicate with and influence target customers.

The four elements are interrelated, and decisions relating to one element can influence the others. Therefore, an effective marketing mix requires an appropriate combination of product, price, place and promotion based on the target market and the organisation's marketing objectives.

A detailed discussion of Product, Price, Place and Promotion is provided in the subsequent units of this course.

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Fig. 1.1.1 Marketing Mix (4 Ps)

Case Study:

Amul – Creating Value Through a Market-Oriented Approach

The dairy industry in India has undergone significant changes over the years. Consumers today have access to a wide range of dairy products, including milk, butter, cheese, curd, ice cream and other value-added products. In such a competitive market, organisations need to understand changing consumer requirements and develop suitable products, prices, distribution systems and promotional activities.

Amul is one of the best-known dairy brands in India. Its development is closely associated with the cooperative movement in the dairy sector. The cooperative model brought milk producers together and created a system through which milk could be collected, processed and marketed on a larger scale. Over time, the Amul brand expanded beyond liquid milk into a wide range of dairy products.

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The growth of the brand illustrates how marketing extends beyond simply selling a product. Milk and dairy products have to be collected from producers, processed, packaged, transported and made available to consumers through an extensive distribution network. At the same time, the organisation needs to understand consumer preferences and changing market conditions and introduce products that meet emerging requirements.

The brand has also used advertising and other forms of marketing communication to establish a distinctive identity. Its long-running advertising approach has helped create strong brand recognition and connect the brand with consumers. At the same time, the organisation has had to maintain an appropriate balance between product quality, affordability, availability and the expectations of different customer groups.

The case also demonstrates the importance of coordination among different marketing functions. Market information can influence product decisions; product characteristics can affect packaging and distribution; distribution costs can influence pricing; and promotional activities can influence customer awareness and preference. Thus, marketing involves an integrated process rather than an isolated selling activity.

As competition in the dairy and food-products market increases, Amul must continue to respond to changing consumer preferences, new competitors, technological developments and changing distribution channels. Its continued success therefore depends not only on producing dairy products but also on creating, communicating and delivering value to its target customers.

Questions

1. Explain how the Amul case illustrates the difference between marketing and selling.
2. Identify and explain any four functions of marketing that can be observed in the case.
3. Analyse how the four elements of the marketing mix – Product, Price, Place and Promotion – can contribute to Amul's competitiveness.
4. Which marketing concept or concepts are reflected in the case? Give reasons for your answer.

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Summarised Overview

Marketing is a broad managerial and social process concerned with identifying customer needs and wants, creating value, communicating and delivering suitable offerings, facilitating exchange and building customer relationships. Its nature can be understood through characteristics such as its managerial, consumer-oriented, continuous, goal-oriented, social and integrated nature. The scope of marketing extends across activities such as marketing research, product development, pricing, promotion, distribution, financing and after-sales service. Marketing contributes to organisations by supporting revenue, profitability, innovation and future business decisions, while also benefiting consumers and society through greater choice, convenience, employment and economic activity.

Marketing thought has evolved through production, product, sales, marketing and relationship orientations, with increasing emphasis on customer needs, value creation and long-term relationships. Different marketing concepts—including the production, product, selling, marketing, societal and holistic marketing concepts—reflect different approaches to managing markets and customers. Marketing is broader than selling: selling focuses primarily on converting available products into sales, whereas marketing begins with customer and market needs and integrates decisions relating to product, price, place and promotion. The marketing mix represents these four controllable elements that organisations combine to achieve their marketing objectives in a target market.

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Self-Assessment Questions

1. Define marketing and explain its significance in modern business organisations.
2. Explain the major characteristics or nature of marketing.
3. Discuss the scope of marketing with reference to its major areas of activity.
4. Explain the importance of marketing to society, firms and consumers.
5. Trace the evolution of marketing from the production era to the relationship marketing era.
6. Explain the major functions of marketing.
7. Describe the production, product and selling concepts of marketing.

8. Explain the marketing concept, societal marketing concept and holistic marketing concept.

9. Distinguish between selling and marketing with reference to their focus, objectives and approach.

10. Explain the concept of marketing mix and briefly describe the four Ps of marketing.

Assignments

1. Explain the nature, scope and importance of marketing and examine how marketing contributes to the success of organisations, consumers and society.

2. Trace the evolution of marketing from the production era to the relationship marketing era and explain how the changing orientations reflect a shift towards customer value and long-term relationships.

3. Compare the major concepts of marketing—production, product, selling, marketing, societal marketing and holistic marketing—and explain the circumstances in which each approach may be relevant.

4. "Selling is only one component of the broader marketing process." Analyse this statement by distinguishing between selling and marketing with suitable examples.

5. Explain the concept of the marketing mix and analyse how Product, Price, Place and Promotion need to be coordinated to achieve marketing objectives in a target market.

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Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

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Unit 2

Marketing Environment

Learning Outcomes

After completing this unit, learner will be able to:

- ◊ explain the meaning, features and types of marketing environment
- ◊ analyse the influence of micro and macro environmental factors on marketing decisions
- ◊ analyse the individual and external determinants of consumer behaviour
- ◊ apply the consumer decision-making process to a given purchase situation

Background

No organisation operates in isolation. Its marketing decisions are influenced by customers, competitors, suppliers, intermediaries, employees, financial conditions, government policies, technology, social values and other forces. These forces are continually changing, and a change in one part of the environment may create opportunities for an organisation while creating threats for another. Therefore, organisations need to understand the environment in which they operate and adapt their marketing decisions accordingly.

The increasing pace of technological, economic and social change has made environmental understanding particularly important for marketers. Changes in customer preferences, purchasing power, competition, regulations, demographic patterns and technological developments can influence what customers buy, how they buy and how organisations design, price, promote and distribute their offerings. Systematic environmental scanning and analysis can help organisations identify significant changes, assess their likely impact and develop appropriate responses.

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At the same time, understanding the environment alone is not sufficient. Marketing decisions ultimately depend on how consumers respond to products, services and marketing activities. Consumers differ in their needs, motivations, attitudes, personalities, experiences, social relationships, cultural backgrounds and purchasing situations. Their decisions may involve several stages, from recognising a need and searching for information to evaluating alternatives, making a purchase and assessing the experience afterwards.

Studying the marketing environment and consumer behaviour therefore provides an important foundation for marketing decision-making. This unit introduces the analysis of the marketing environment, its major features and its micro and macro components, followed by the determinants of consumer behaviour and the consumer decision-making process. Together, these concepts help learners understand how organisations can recognise environmental changes, understand consumer responses and make more informed marketing decisions.



Keywords

Marketing environment, environmental analysis, environmental scanning, micro environment, macro environment, PESTEL analysis, consumer behaviour, determinants of consumer behaviour, consumer decision-making process, customer value



Discussion

1.2.1 Introduction to Marketing Environment

Knowledge of the marketing environment is fundamental to effective marketing activities. The environment plays a crucial role in shaping marketing decisions, and securing an appropriate fit between the organisation and its environment.

Organisations need to understand where the marketing environment is heading, what trends are emerging and how these changes may affect their business. They must continuously monitor and analyse the environment to identify opportunities and threats and determine appropriate responses to environmental changes. Effective marketing therefore requires an organisation to adapt its marketing strategies and activities in accordance with changes in the environment.

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1.2.2 Marketing Environment Analysis

Marketing environment analysis attempts to provide an extensive understanding of current market conditions and the external factors that influence an organisation and are largely beyond the direct control of marketers. Marketing environment analysis is crucial for a business because it helps the organisation understand changes in its environment, identify opportunities and threats, and adapt its marketing strategies accordingly. The major purposes of marketing environment analysis are as follows:

i. **To understand the direction of environmental change:** To observe and assess relevant events, developments and trends in the marketing environment and understand the direction in which the environment is moving.

ii. **To identify opportunities and threats:** To distinguish between events and trends that are favourable and unfavourable from the standpoint of the organisation and to identify the opportunities and threats arising from environmental changes.

iii. **To anticipate future developments:** To assess how different factors in the marketing environment may develop in the future and consider their possible implications for the organisation.

iv. **To assess and prioritise opportunities:** To evaluate the potential of different opportunities and identify those that are most relevant and capable of favourably influencing the organisation's performance.

v. **To secure an appropriate fit between the environment and the organisation:** To help the organisation align its marketing activities and resources with changes in the environment. Achieving an appropriate fit between the organisation and its environment is an important aspect of effective marketing.

vi. **To facilitate appropriate responses:** To help the organisation respond to environmental changes through suitable product-market strategies and other marketing decisions.

vii. **To facilitate marketing strategy formulation:** To provide relevant information for formulating marketing strategies that are consistent with environmental trends, emerging opportunities and potential threats.

viii. **To support customer-oriented decision-making:** Marketing environment analysis provides a basis for organisations to anticipate changes in customer needs, market conditions and competitive behaviour. It therefore helps businesses adapt to change, remain competitive and create greater value for their customers.

1.2.2.1 Environmental Scanning and Analysis

Marketing environment analysis involves the systematic examination of the internal and external factors that may influence an organisation's marketing activities. Since the marketing environment is dynamic, organisations need to continuously observe

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changes in customers, competitors, suppliers, intermediaries, government policies, economic conditions, technology and social trends.

Environmental scanning refers to the systematic process of collecting, monitoring and interpreting information about developments in the organisation's environment. It enables marketers to identify significant changes at an early stage and assess their possible impact on the organisation.

The analysis generally involves the following activities:

i. **Identifying relevant environmental factors:** The organisation identifies the internal and external factors that are likely to influence its marketing decisions.

ii. **Collecting information:** Relevant information is gathered from customers, competitors, suppliers, government sources, industry reports, market research and other reliable sources.

iii. **Monitoring changes and trends:** The organisation continuously observes changes in the environment and identifies important trends and developments.

iv. **Assessing the impact:** The likely effect of environmental changes on the organisation, its customers, products and markets is evaluated.

v. **Identifying opportunities and threats:** Changes that may provide favourable possibilities are recognised as opportunities, while changes that may adversely affect the organisation are treated as threats.

vi. **Developing appropriate responses:** The findings of environmental analysis are used to modify marketing plans, strategies and programmes where necessary.

1.2.2.2 Tools for Marketing Environment Analysis

Marketers use various analytical tools to organise and interpret information collected through environmental scanning. Some commonly used tools are:

i. **SWOT Analysis:** SWOT stands for Strengths, Weaknesses, Opportunities and Threats. Strengths and weaknesses relate mainly to the internal capabilities of the organisation, whereas opportunities and threats arise largely from the external environment. SWOT analysis helps an organisation assess its present position and develop suitable strategies.

ii. **PEST Analysis:** PEST analysis examines the major external forces affecting an organisation through four dimensions: Political, Economic, Social and Technological factors. It helps marketers understand broader changes in the macro environment.

iii. **PESTEL Analysis:** PESTEL extends PEST analysis by adding Environmental and Legal factors. It is particularly useful when changes in regulations, environmental concerns or sustainability issues can significantly influence marketing decisions.

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These tools do not replace managerial judgement. They provide a systematic framework for organising environmental information, identifying important changes and assessing their possible implications for marketing decisions.

1.2.3 Features of Marketing Environment

The marketing environment has certain characteristics that make it important for organisations to continuously monitor and analyse the factors affecting their marketing activities. The major features of the marketing environment are as follows:

i. **Dynamic:** The factors that affect the marketing environment constantly change over time. These may include technological advancements, changes in industry regulations, economic conditions, social trends and customer tastes and preferences. Organisations therefore need to continuously monitor environmental changes and adapt their marketing strategies accordingly.

ii. **Relative:** The marketing environment differs across countries, markets, industries and organisations. A product that performs well in one market may not achieve the same level of success in another because of differences in customer preferences, economic conditions, competition, regulations, culture and other environmental factors. For example, a product may sell more successfully in the United States than in a European market because of differences in the respective marketing environments.

iii. **Uncertain:** The marketing environment is uncertain because many environmental forces are difficult to predict accurately. Even with continuous environmental scanning and analysis, organisations may face unexpected threats or opportunities. Therefore, marketers need to be capable of learning from changes, adapting their strategies and responding quickly to changing market conditions.

iv. **Complex:** The marketing environment is complex because organisations are affected by several internal and external forces that are interrelated. Marketers need to consider factors such as organisational resources, customers, competitors, suppliers, intermediaries, government regulations, technological developments, social expectations and environmental concerns while making marketing decisions. Changes in one factor may also influence other factors, increasing the complexity of marketing decisions.

1.2.4 Types of Marketing Environment

The marketing environment refers to the various internal and external factors and forces that affect an organisation's marketing activities, such as marketing planning, customer management, product decisions and financial planning, either directly or indirectly. Successful organisations recognise these environmental forces and respond effectively to changes in them.

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The marketing environment can broadly be divided into two parts:

A. Micro Environment

B. Macro Environment



Fig. 1.2.1 Marketing Environment

1.2.4.1 Micro Environment

The term micro environment refers to the factors and actors that are closely associated with an organisation and directly influence its ability to serve its customers. These include the organisation itself, suppliers, marketing intermediaries, customers, competitors and other relevant stakeholders. Unlike the broader macro environment, many of these factors are relatively close to the organisation and can be influenced to some extent, although they are not completely controllable.

The micro environment has a direct influence on the organisation's marketing activities and customer experience. Therefore, marketers need to understand these factors and develop appropriate strategies to manage their relationships with them.

Components of Micro Environment

a. Suppliers

Suppliers provide the resources required by an organisation to produce and deliver its goods and services. They form an important part of the supply chain. The availability, quality, cost and reliability of supplies can influence production, pricing and the organisation's ability to serve its customers. Strong relationships with suppliers can

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help organisations maintain continuity of operations and respond effectively to market requirements.

b. Marketing Intermediaries

Marketing intermediaries are organisations or individuals that assist a company in promoting, selling and distributing its products or services to the final customers. They may include distributors, wholesalers, retailers, agents and other intermediaries involved in the distribution process. They help create location, time and possession utilities and facilitate the movement of goods and services from producers to customers.

c. Customers

Customers are among the most important actors in the marketing environment because the success of an organisation depends largely on its ability to understand and satisfy customer needs. Marketers need to understand customer characteristics, preferences, purchasing behaviour and product usage patterns. Changes in customer expectations and behaviour can significantly influence marketing decisions.

d. Shareholders and Other Stakeholders

Shareholders provide capital to an organisation and have an interest in its performance and long-term value. Depending on the nature and ownership structure of the organisation, shareholders may range from individual owners to institutional investors. Their expectations regarding organisational performance can influence managerial decisions. In addition to shareholders, organisations also need to consider other relevant stakeholders whose interests may affect business activities.

e. Competitors

Competitors are organisations that offer similar or substitute products or services to the same target market. Competitor analysis involves evaluating the strengths, weaknesses, strategies and likely actions of existing and potential competitors. Such analysis helps marketers understand the organisation's position in the market, identify opportunities for improvement and develop appropriate competitive strategies.

f. Human Resources

Employees and the human resource function have an important role in supporting marketing activities. The human resource function helps recruit, train, develop and motivate employees, while marketing depends on employees across different functions to deliver customer value. Effective coordination between human resources and marketing can contribute to better customer service and successful implementation of marketing strategies.

g. Research and Development

Research and Development (R&D) works closely with marketing in developing new products and improving existing products. Information about customer needs and market trends can help R&D develop products that are relevant to market requirements.

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In industries characterised by rapid technological change, close coordination between marketing and R&D can help organisations introduce innovations and extend the commercial life of existing products.

h. Finance

The finance function provides and manages the financial resources required for organisational activities. Marketing decisions relating to product development, promotion, distribution, market research and customer service require financial resources. Coordination between marketing and finance is therefore important for effective allocation and control of resources.

1.2.4.2 Macro Environment

The macro environment refers to the broader external forces that influence an organisation and its marketing activities. These forces are generally beyond the direct control of an individual organisation and can affect industries and markets as a whole. Organisations therefore need to monitor these forces and adapt their strategies according to changes in the external environment.

The major components of the macro environment include political, legal, economic, demographic, natural and socio-cultural factors. Technological factors are also an important component of the contemporary marketing environment. These factors can create both opportunities and threats for organisations and therefore need to be considered while formulating marketing strategies.

Components of Macro Environment

a. Political Environment

The political environment includes government policies, political institutions, government stability and the actions of political authorities that may influence business activities. Changes in government policies, taxation, trade policies and other political developments can influence marketing strategies and business operations. Organisations therefore need to monitor political developments that may affect their industry and markets.

b. Legal Environment

The legal environment consists of laws, regulations and government rules that influence business and marketing activities. Various laws relating to consumer protection, competition, advertising, product safety, intellectual property, data protection and other business practices can affect marketing decisions. Legal requirements may impose constraints on organisations, but they can also create opportunities for businesses by establishing standards and developing new areas of demand.

c. Economic Environment

The economic environment refers to the economic conditions and factors that influence the purchasing power of customers and the overall business environment.

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These include income levels, inflation, interest rates, employment, economic growth, distribution of income and wealth, and the phases of the business cycle. Changes in economic conditions can affect consumer demand, pricing decisions, production and investment.

d. Demographic Environment

Demography is the study of population characteristics. The demographic environment includes factors such as population size and growth, age distribution, gender composition, household patterns, education, occupation, income and geographical distribution. Changes in these characteristics can create changes in market size, customer needs and consumption patterns. Marketers therefore study demographic trends to identify emerging market opportunities and adapt their products and marketing strategies.

e. Natural Environment

The natural environment refers to natural resources and ecological conditions that affect business and marketing activities. Organisations depend on natural resources such as raw materials, water and energy for their operations. Issues such as resource scarcity, pollution, climate change and environmental degradation have increased the importance of environmental considerations in marketing decisions. Organisations therefore need to consider both the risks and opportunities associated with the natural environment and adopt responsible approaches to the use of resources.

f. Socio-Cultural Environment

The socio-cultural environment consists of the values, beliefs, attitudes, customs, traditions, lifestyles and behavioural patterns prevailing in society. These factors influence how people live and affect what, where, when and how customers purchase and use products and services. Changes in social values, lifestyles and cultural preferences can therefore create new opportunities as well as challenges for marketers.

1.2.5 Consumer Behaviour

A consumer is an individual or group that ultimately uses or consumes a product or service provided by a seller. A customer, on the other hand, is an individual or organisation that purchases a product or service, but may not necessarily be its end-user. Thus, the same person may be both a customer and a consumer, while in some situations the buyer and the ultimate consumer may be different.

The identity of the consumer varies according to the nature of the product and the buying situation. For instance, individuals and households are generally consumers of goods such as groceries and garments, whereas organisations may be the consumers of industrial goods such as machinery, tools and raw materials such as iron ore and aluminium.

Consumer behaviour is the study of consumer actions in the marketplace and the reasons underlying these actions. Broadly, it involves the study of how individuals, groups or organisations select, buy, use and dispose of products, including goods, services, ideas and experiences, to satisfy their needs and wants.

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According to Loudon and Bitta, consumer behaviour can be defined as "the decision process and physical activity engaged in when evaluating, acquiring, using or disposing of goods and services".

According to Philip Kotler, "consumer behaviour is the study of how individuals, groups and organisations select, buy, use and dispose of goods and services, ideas or experiences to satisfy their needs and wants".

Thus, understanding why consumers choose particular products or services helps marketers understand their needs and preferences and develop suitable offerings for the marketplace. Knowledge of consumer behaviour also assists marketers in making decisions relating to product development, market segmentation, positioning, pricing, promotion and distribution, and in determining how best to present products and services to target customers.

Consumer behaviour is influenced by both personal and external factors. These factors are referred to as determinants of consumer behaviour, which are discussed in the following section.

1.2.6 Determinants of Consumer Behaviour

We are aware that an individual's behaviour is influenced by many personal, psychological and social factors. Similarly, consumer behaviour is influenced by a combination of internal and external determinants.

The factors influencing consumer behaviour can be broadly classified into individual determinants and external determinants. Individual determinants arise from within the consumer and influence their needs, motives, perceptions and responses, whereas external determinants arise from the consumer's social and cultural environment and influence buying behaviour through their interaction with individual determinants.

1.2.6.1 Individual Determinants

The individual determinants can be further classified into Motivation and Involvement, Attitudes, Personality and Self-concept, Learning and Memory, and Information Processing.

1. Motivation and Involvement

Every consumer is a unique individual with a unique set of needs, desires and motivations. The internal force that arouses a need and directs behaviour towards the fulfilment of that need is termed motivation. A consumer may have both physiological and psychological motivations. Physiological motivations are directed towards the fulfilment of biological needs such as thirst and hunger, whereas psychological motivations are directed towards the satisfaction of psychological needs and desires such as achievement, status and belongingness. Every consumer may seek to satisfy the same need in different ways. For instance, one consumer may quench thirst by drinking water, whereas another may choose a soft drink.

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Consumers adopt different methods of satisfying their motivations because the level of personal involvement varies across products and purchase situations. Involvement refers to the degree of personal relevance or importance that a consumer attaches to a product, service or purchase decision in a particular situation. For instance, a homemaker may perceive a camera primarily as a convenient tool to record family events and may therefore look for a suitable camera within a particular budget, whereas a professional photographer may be highly involved in the purchase and give greater importance to technical specifications, performance and quality.

The level of involvement can therefore influence the extent of information search, evaluation and effort involved in a purchase decision. High-involvement and low-involvement purchase situations may consequently result in different patterns of consumer behaviour.

2. Attitudes

Attitude refers to a learned predisposition to respond favourably or unfavourably towards a product, brand, service, idea or other object. It influences a consumer's orientation towards products and affects how they respond to marketing stimuli. Attitudes are not necessarily inherent; they develop through experience, learning and interaction with people and the surrounding environment.

For instance, consumers who have a negative attitude towards risk may prefer relatively safer investment options, such as savings instruments or government securities, rather than riskier investments such as shares. Marketers therefore need to understand consumer attitudes when developing and communicating their offerings.

3. Personality and Self-concept

The totality of an individual's relatively consistent patterns of thinking, feeling and behaving is termed personality. It contributes to distinctive patterns of behaviour across situations. Self-concept, or self-image, refers to the way a person perceives and evaluates themselves, including their characteristics, abilities and role in society.

Consumers may prefer products and brands that they perceive as consistent with their personality or self-concept. This is one reason why marketers attempt to develop distinctive brand personalities and images that appeal to particular target consumers. For instance, Raymond Suitings has traditionally been associated with the image of the "complete man", reflecting a particular positioning intended to appeal to its target market.

4. Learning and Memory

Consumers are exposed to a large amount of marketing information through advertisements, social media, websites, stores and other sources. They do not retain all the information to which they are exposed. Learning occurs as consumers acquire knowledge and experience through exposure and interaction, while memory refers to the retention and retrieval of information.

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Consumers may selectively retain information that is relevant to their needs, interests and experiences. For instance, when family members are exposed to several advertisements during a television programme, different members may pay greater attention to different advertisements according to their individual interests and needs. A child may notice an advertisement for a toy, while another family member may pay greater attention to an advertisement for a car or household appliance.

Thus, a consumer's motives, attitudes, experiences and other individual characteristics influence what information receives attention and what information is retained.

5. Information Processing

Information processing refers to the activities through which consumers are exposed to, attend to, interpret, evaluate and retain information for making decisions. Although consumers are exposed to a large amount of information, they selectively attend to and process information that they consider relevant.

The way information is interpreted and evaluated can differ between individuals because of differences in motives, attitudes, experiences, personality and other characteristics. The same information may therefore lead to different responses among different consumers. For instance, a 2.5-litre soft drink bottle may appear excessive to an occasional consumer, whereas a regular consumer may consider it better value for money.

1.2.6.2 External Determinants

External determinants arise from the social, cultural and environmental surroundings of consumers. They influence consumer behaviour through factors such as culture, social groups, family, social class, personal influences and opinion leaders.

The external determinants can be further classified into Cultural Influences, Sub-cultural Influences, Social Class Influences, Social Group Influences, Family Influences, Personal Influences, Opinion Leaders and Other Influences.

1. Cultural Influences

The sum of knowledge, beliefs, values, traditions, customs, art, morals, laws and other learned patterns of behaviour acquired by members of a society is termed culture. Culture influences people's perceptions, preferences, consumption patterns and buying behaviour and varies from one society to another.

For instance, the purchase of gold jewellery may be associated with savings, investment, tradition and social status in many Indian households. Such cultural values can influence consumer preferences and purchasing behaviour.

2. Sub-cultural Influences

Every culture consists of smaller groups or segments of people who share distinctive values, customs, traditions and behavioural patterns. These groups are referred to as subcultures. Differences in language, region, religion, community, ethnicity and other characteristics can contribute to the development of subcultures.

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Subcultures may influence preferences relating to food, clothing, festivals, consumption habits and other products and services. Marketers may therefore need to adapt their offerings and marketing communication to suit the characteristics of particular subcultures.

3. Social Class Influences

A social class consists of people who have relatively similar positions in a society and may share similar values, lifestyles and consumption patterns. Social class may be influenced by factors such as income, occupation, education and social status. Social classes are not necessarily fixed and an individual's social position may change over time.

Differences in social class can influence preferences relating to housing, food, apparel, transportation, entertainment and leisure activities. Marketers therefore consider social class and related socioeconomic characteristics when identifying and serving target markets.

4. Social Group Influences

A social group or reference group consists of individuals with whom a consumer interacts or identifies and whose opinions, attitudes or behaviour may influence the consumer. Social groups can include family members, friends, colleagues, study groups, clubs and other groups.

Primary groups are characterised by frequent and relatively close personal interaction, such as family and close friends. Secondary groups generally involve less frequent or more formal interaction and may be formed around common interests, occupations or objectives.

Individuals may modify their attitudes, preferences or consumption behaviour because of the influence of other members of their social or reference groups. For instance, a new employee who previously preferred casual clothing may begin wearing formal attire after observing the dress practices of colleagues in a new workplace.

5. Family Influences

Family is one of the most important social influences on consumer behaviour. Family members can influence consumer preferences, attitudes and purchasing decisions, particularly through socialisation and shared consumption experiences.

Many purchase decisions are made jointly by family members, with different members performing different roles in the decision-making process. Changes in family structure, household size and lifestyles can therefore influence consumption patterns and marketing decisions.

6. Personal Influences

Personal characteristics such as age, occupation, income, lifestyle and stage of life can influence consumer buying behaviour. A consumer’s preferences for food,

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clothing, automobiles, furniture and other products may change with age and changing circumstances.

Occupation and income also influence the products and services consumers can afford and the benefits they seek. Lifestyle reflects how individuals live, including their activities, interests and opinions, and can provide marketers with insights into changing consumer preferences and values.

7. Opinion Leaders

People who can exert personal influence on the attitudes, opinions or behaviour of others in a particular area are known as opinion leaders. Individuals who seek information or guidance from such people may be referred to as opinion seekers.

Opinion leaders are often knowledgeable or experienced in a particular product category and may influence the decisions of others through personal recommendations, reviews or other forms of communication. For instance, consumers may seek the opinions of technology reviewers before purchasing an electronic gadget.

With the growth of digital and social media, opinion leaders may also influence large numbers of consumers through online reviews, videos, social media posts and other digital content.

8. Other Influences

Other environmental influences, such as festivals, holidays, major events, promotional activities, inflation, recession and other changes in economic or social conditions, can also influence consumer behaviour.

For instance, festivals and holiday periods may increase consumer spending on particular categories of products, while inflation may encourage consumers to compare prices more carefully, reduce discretionary spending or switch to alternative brands.

The various individual and external determinants of consumer behaviour are interrelated and may influence one another. Consumer decisions are therefore rarely the result of a single factor. For example, an advertisement may create awareness of a product, after which a consumer may search for additional information online or seek opinions from friends or other sources. The consumer may then evaluate alternatives and decide whether to purchase the product. Satisfaction or dissatisfaction after purchase may further influence future purchases and recommendations to others. This sequence of activities forms part of the consumer decision-making process, which is discussed in the following section.

1.2.7 Consumer Decision-Making Process

The purchase decision is one of the most visible activities in consumer behaviour, but the decision itself may be influenced by several factors and individuals. Thus, a seemingly simple purchase by a consumer may be the result of several complex and less visible factors influencing the decision.

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According to management authors Koontz and O'Donnell, "Decision-making is the actual selection from among alternatives of a course of action."

The stages that a consumer may go through before, during and after purchasing a product are referred to as the Consumer Decision-Making Process or Buyer Decision Process. Though consumers may follow different patterns while making purchase decisions, a widely used framework identifies five basic stages through which consumers may pass while deciding which product or service best satisfies their needs. These stages are need recognition, information search, evaluation of alternatives, purchase decision and post-purchase behaviour.

An American philosopher, psychologist and educational reformer, John Dewey, is associated with the five-stage problem-solving process that provided the basis for later consumer decision-making models. The five stages are as follows:

1.2.7.1 Problem or Need Recognition

In the first stage of the consumer decision-making process, the consumer recognises a problem or need and becomes aware that a product or service may be required to address it. This is an important stage because the consumer is unlikely to begin an active purchase process unless a need or problem is perceived.

Need recognition may be triggered by internal or external stimuli. Internal stimuli arise from physiological or psychological conditions experienced by the consumer, such as hunger, thirst or a desire for achievement. External stimuli arise from outside influences such as advertising, word-of-mouth communication, social media content, the sight or smell of a product, or observing other consumers.

For instance, a consumer may recognise the need for a camera because of a desire to capture and preserve special moments. Although a camera is not necessary for survival, the purchase may satisfy functional as well as emotional or social needs.

Abraham Maslow's hierarchy of needs provides one framework for understanding how different types of human needs can motivate behaviour. The theory proposes that human needs can be arranged broadly from physiological and safety needs to social, esteem and self-actualisation needs. In consumer behaviour, different products may therefore be associated with different types of needs. However, consumers do not necessarily satisfy each level completely before experiencing or pursuing needs at another level.

1.2.7.2 Information Search

Once consumers recognise a need or problem, they may search for information about possible solutions. Information search is the second stage of the Consumer Decision-Making Process.

During this stage, consumers seek information that can help them understand the available products, services, brands, features, prices and benefits that may satisfy their needs. The extent of information search varies according to factors such as the

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consumer's prior knowledge, level of involvement, perceived risk, time available and complexity of the purchase.

Information search can broadly be classified into internal and external information search.

Internal Information Search

Internal information search occurs when consumers recall information from their memory, often based on previous experiences with products, brands or services. A consumer may remember the performance of a brand purchased earlier, previous satisfaction or dissatisfaction, or information learned from earlier exposure to marketing communication.

If a product is frequently purchased and the consumer has sufficient positive experience with it, internal information may be adequate to make the purchase decision.

External Information Search

External information search occurs when consumers seek information from sources outside their own memory and experience. This may occur when the consumer has limited prior knowledge, perceives greater risk or considers the purchase sufficiently important to justify additional information search.

External sources may include friends and family, salespersons, advertisements, websites, online reviews and ratings, consumer reports, social media, comparison websites, online forums and other digital sources.

The growth of digital media has significantly changed information search behaviour. Consumers can compare products, prices and reviews across multiple sources before making a purchase. At the same time, the large amount of information available online can make it more difficult for consumers to identify reliable and relevant information.

The volume and depth of information search therefore depend on factors such as the consumer's existing knowledge, perceived risk, involvement, complexity of alternatives and the time and effort the consumer is willing to invest.

1.2.7.3 Evaluation of Alternatives

This is the third stage of the Consumer Decision-Making Process. At this stage, consumers evaluate the available alternatives based on attributes that are important to them and the benefits they seek. Consumers may compare different products and brands based on factors such as price, quality, features, performance, convenience, brand reputation, warranty and after-sales service.

The group of brands or products that a consumer seriously considers is commonly referred to as the consideration set. It is only a subset of all the alternatives available in the market.

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When consumers commit significant time and effort to comparing alternatives and examining factors such as price, warranties, terms and conditions and other product features, it is referred to as extended problem solving.

Extended problem solving involves greater information search and evaluation than routine problem solving. Routine problem solving generally involves low involvement, lower cost and relatively limited perceived risk, as in the purchase of commonly used products such as snacks. Extended problem solving is more likely in the case of expensive, infrequently purchased, complex or high-risk products or services, such as a car, house or major electronic equipment.

At this stage, consumers are influenced by their attitudes, prior experiences, level of involvement, perceived risk and the importance they attach to different product attributes. Marketers therefore need to understand the criteria consumers use to evaluate competing products and brands and communicate the benefits that are relevant to their target customers.

1.2.7.4 Purchase (Choice)

The purchase decision is the fourth stage of the Consumer Decision-Making Process. During this stage, consumers form an intention to purchase the preferred product or brand after evaluating the available alternatives.

However, the purchase intention may not always result in an actual purchase. The final decision can be influenced by the opinions of other people as well as by unexpected situational factors. For instance, a consumer may intend to purchase a premium smartphone but change the decision after receiving negative feedback from a trusted friend. Similarly, a change in financial circumstances, unavailability of the product, a change in price or the closure of a store may cause the consumer to postpone or abandon the purchase.

At this stage, consumers may make decisions relating to:

- **Where to buy:** This may be influenced by price, terms of sale, previous experience with the seller, availability, convenience and return policies.
- **When to buy:** Timing may be influenced by urgency, financial circumstances, promotions, seasonal offers, time pressures and other situational factors.
- **How to buy:** Consumers may choose between physical stores, online platforms, direct purchase from the producer or other channels depending on convenience, trust, availability and other considerations.
- **Whether to buy:** Consumers may decide to proceed with the purchase, postpone it or decide not to purchase the product at all.

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1.2.7.5 Post-Purchase Behaviour (Outcomes)

Post-purchase behaviour is the final stage in the Consumer Decision-Making Process. After purchasing and using a product or service, consumers evaluate whether the actual experience meets their expectations. This may result in satisfaction or dissatisfaction.

Consumer satisfaction can influence repeat purchases, brand loyalty, recommendations and positive word-of-mouth. Dissatisfaction may result in complaints, negative reviews, switching to competing brands or avoiding the product in the future.

At this stage, a buyer may also experience cognitive dissonance, which refers to psychological discomfort or doubt arising from uncertainty about whether the purchase decision was correct. This may be particularly common after high-involvement purchases involving significant expenditure or perceived risk. For instance, after purchasing a premium smartphone, a consumer may question whether another brand would have provided better value, particularly after seeing advertisements or reviews of competing products.

Digital platforms have made post-purchase behaviour particularly important for marketers. Consumers can share their experiences through ratings, reviews, social media posts and online communities. Positive experiences can therefore influence other potential customers, while negative experiences can spread quickly and affect brand reputation.

Organisations use various post-purchase activities to improve customer satisfaction and encourage future purchases. These may include warranty and service support, return or replacement policies, follow-up communication, customer feedback surveys, loyalty programmes, personalised offers and customer service. Such activities can help reduce post-purchase uncertainty, strengthen customer relationships and encourage repeat purchases.

Understanding the Consumer Decision-Making Process helps organisations identify marketing challenges and opportunities at different stages of the customer's journey. Marketing efforts can be aligned with these stages—for example, creating awareness during need recognition, providing useful information during information search, communicating relevant benefits during evaluation, facilitating convenient purchase and providing effective post-purchase support.

Consumer behaviour is therefore a vital concept in modern marketing. It helps business organisations understand how consumers choose, purchase, use and dispose of products and services, as well as the psychological, social and situational factors influencing these activities. Consumer behaviour draws upon concepts from disciplines such as psychology, sociology, economics and other behavioural sciences. Understanding consumer behaviour enables marketers to develop more relevant offerings, communicate effectively with target customers and build long-term customer relationships.

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Case Study:

Aarav, a 24-year-old professional working in Kochi, decided to purchase a new smartphone after using his existing phone for nearly four years. His phone was still functional, but its battery life had deteriorated and its camera performance was no longer satisfactory for the photographs and videos he regularly shared on social media.

Aarav initially considered purchasing a premium smartphone because several of his colleagues were using high-end models. His friends frequently discussed smartphone specifications, camera quality and new features. One of his colleagues, who was considered knowledgeable about technology, recommended a particular brand and shared several online reviews comparing different models.

Aarav then began searching for information. He watched product videos, read customer reviews, compared prices on different websites and visited two retail stores to examine the phones physically. He also consulted his brother, who had recently purchased a smartphone. During this process, Aarav reduced his choices to three brands.

Initially, camera quality was his most important criterion. However, after comparing the alternatives, he began paying greater attention to battery life, warranty, storage capacity, price and after-sales service. One of the smartphones had better technical specifications but was considerably more expensive. Another was cheaper but had fewer features. The third offered a combination of features that appeared to provide better value within his budget.

Aarav finally decided to purchase the third smartphone. However, immediately after placing the order, he saw several online advertisements promoting another brand with a similar model at a slightly lower price. He began wondering whether he had made the right decision. After receiving the phone and using it for several weeks, he found that its battery life and camera performance met his expectations. He subsequently posted a positive review and recommended the phone to two of his friends.

Questions

1. Explain the five stages of the consumer decision-making process using Aarav's purchase as an illustration.
2. Identify the individual determinants and external determinants of consumer behaviour evident in the case. Explain how they influenced Aarav's decision.
3. How did information search, opinion leaders and reference groups influence Aarav's evaluation of smartphone alternatives?
4. Aarav experienced uncertainty after placing the order. Identify this phenomenon and explain how the company could use post-purchase activities to reduce such uncertainty and encourage customer satisfaction and loyalty.

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Summarised Overview

Marketing decisions are influenced by a constantly changing environment consisting of internal and external forces. Marketing environment analysis and environmental scanning help organisations identify relevant environmental factors, monitor changes, assess their impact, recognise opportunities and threats, and develop appropriate responses. The environment is dynamic, relative, uncertain and complex. It includes the micro environment, comprising actors closely associated with the organisation such as suppliers, intermediaries, customers, competitors, shareholders, human resources, R&D and finance, and the macro environment, comprising broader forces such as political, legal, economic, demographic, natural and socio-cultural factors. Tools such as SWOT, PEST and PESTEL provide systematic frameworks for analysing these factors.

Consumer behaviour concerns how individuals, groups and organisations select, buy, use and dispose of products, services, ideas and experiences to satisfy their needs and wants. Consumer behaviour is influenced by individual determinants such as motivation and involvement, attitudes, personality and self-concept, learning and memory, and information processing, as well as external determinants including culture, subculture, social class, social groups, family, personal influences, opinion leaders and other environmental influences. Consumer decision-making commonly involves need recognition, information search, evaluation of alternatives, purchase and post-purchase behaviour. Understanding these influences and stages enables marketers to develop more relevant offerings and make informed decisions concerning customers and markets.

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Self-Assessment Questions

1. Define marketing environment and explain the need for marketing environment analysis.
2. Explain the process of environmental scanning and analysis.
3. Discuss the major tools used for marketing environment analysis, including SWOT, PEST and PESTEL analysis.
4. Explain the major features of the marketing environment.
5. Distinguish between the micro environment and macro environment of an organisation.

6. Explain the major components of the micro environment and their influence on marketing decisions.
7. Discuss the major components of the macro environment and explain their relevance to marketing.
8. Define consumer behaviour and explain its importance to marketers.
9. Explain the individual and external determinants of consumer behaviour.
10. Describe the stages of the consumer decision-making process and explain the factors that may influence each stage.



Assignments

1. Explain the need for marketing environment analysis and discuss how environmental scanning helps organisations identify opportunities, threats and appropriate strategic responses.
2. Analyse the micro and macro environments of an organisation and explain how the different environmental factors can influence marketing decisions.
3. Explain SWOT, PEST and PESTEL analysis as tools of marketing environment analysis and compare their usefulness in understanding an organisation's marketing environment.
4. Discuss the major individual and external determinants of consumer behaviour and explain how these factors may influence a consumer's purchase decisions.
5. Explain the consumer decision-making process and analyse how marketing activities can influence consumers at different stages from need recognition to post-purchase behaviour.



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Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

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Product and Price

Unit 1

Product

Learning Outcomes

After completing this unit, learner will be able to:

- ◊ explain the meaning, features and classification of products
- ◊ analyse product line dimensions, strategies and product diversification decisions
- ◊ analyse the stages of the product life cycle and their marketing implications
- ◊ explain the new product development process and assess reasons for new product failure
- ◊ analyse the role of packaging and branding in creating product value and differentiation

Background

In a competitive market, organisations do not succeed merely by producing goods or providing services; they must offer products that create meaningful value for customers and respond to changing needs and expectations. Understanding the product as a complete market offering helps marketers look beyond its physical characteristics and consider the benefits, services, attributes, brand, packaging and other elements that influence customer value and market acceptance. Different products also require different marketing decisions depending on their users, durability, tangibility, product-line structure and stage in the market

As markets evolve, organisations need to make decisions about expanding or modifying product lines, diversifying into new product-market areas, developing new products and managing products through different stages of their life cycle. Packaging and branding further influence how products are protected, presented, differentiated, recognised and perceived by customers. An understanding of these

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aspects enables learners to analyse product-related decisions and appreciate how product strategy contributes to customer satisfaction, competitive advantage and organisational growth

Keywords

Product, Product Classification, Product Line, Product Diversification, Product Life Cycle, New Product Development, Packaging, Branding, Brand Equity, Brand Loyalty

Discussion

2.1.1 Meaning of Product

In marketing, a product is anything that is offered in a market for the use or consumption of customers and that can satisfy a need or want. It may include a physical item, service, experience, idea or other offering that provides value to the customer. A product may involve a combination of tangible and intangible elements, and it is offered to create value and satisfy customer needs and wants.

According to the American marketing author, consultant, and distinguished Professor of International Marketing Philip Kotler, "Product is anything that can be offered to someone to satisfy a need or a want." From the above definition, one can understand that a product is a bundle of physical and psychological benefits that a marketer offers to customers, as well as a bundle of expectations that a customer seeks to fulfil. Thus, a marketer should emphasise not only the physical attributes of a product but also the benefits and services associated with it. This is because customers, in general, are not interested merely in possessing a product; rather, they seek the benefits and value that the product provides.

For example, a mobile phone is made up of metal and plastic panels, nuts and bolts, a motherboard, processor, screen and other components. However, when a consumer buys a phone, he/she is not buying it simply to possess these components; rather, the customer is seeking to satisfy wants associated with the phone, such as communicating with friends, taking pictures, accessing social media, entertainment and performing work-related activities. A customer may also look for attractive physical features, a brand name, warranty and assured after-sales service.

Hence, it should always be remembered that people do not simply buy the physical features of a product; rather, they buy the benefits and value associated with the product.

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In a broad sense, when a product is mentioned in marketing, the term may encompass both products and services. A product may refer to a tangible item such as a television, refrigerator, washing machine or car, whereas a service is an intangible offering such as insurance, healthcare, hospitality or banking.

However, the distinction between goods and services is not always absolute. A tangible product may be accompanied by supporting services such as installation, warranty, maintenance, financing and after-sales service. Similarly, many services involve tangible elements as part of the overall customer experience. Simply put, in marketing, a product has a much wider meaning. It can include physical goods, services, experiences, places, organisations, persons and ideas offered to satisfy customer needs and wants.

Fundamentally, therefore, a product can be viewed as a bundle of tangible and intangible benefits and value offered to satisfy customer needs and wants.

2.1.2 Features of a Product

Based on the above explanation, the following are some of the important features of a product:

i. **Tangible or Intangible:** A product may be tangible, capable of being touched, felt and seen, such as a refrigerator or an air conditioner. At the same time, a product may be intangible, as in the case of services such as insurance, banking and entertainment services, which provide benefits and satisfaction to customers. In many cases, a product may also combine tangible and intangible elements.

ii. **Associated Attributes:** A product includes various accompanying benefits and services and is made up of several attributes such as colour, packaging, brand name, accessories, installation, warranty, instructions, after-sales services, and the reputation of the manufacturer and retailer. These attributes contribute to the overall value of the product and help differentiate one product from another.

iii. **Exchange Value:** A product should have value to the customer and should be capable of being offered in an exchange. In conventional markets, this exchange generally involves a monetary price. However, the value perceived by the customer may extend beyond the monetary price and include the benefits obtained from the product.

iv. **Satisfaction:** A product should be capable of providing value and satisfaction to the customer while also helping the organisation achieve its objectives. For a buyer, satisfaction may arise from the functional, economic, social and psychological benefits obtained from the product. For the seller, the product should contribute to business objectives such as revenue, profitability, customer retention and growth.

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Three Levels of a Product

A product can be understood as having three distinct levels or layers, as depicted below:

i. **Core Product:** The first or innermost level of a product represents the **core benefit** that the customer seeks when purchasing the product. It answers the question: *What is the customer really buying?* For example, a customer buying a hotel room is seeking accommodation, comfort and convenience rather than merely a physical room.

ii. **Actual Product:** The second or middle level is the actual product. It includes the product's features, quality, design, brand name, packaging, shape, style and other tangible or identifiable attributes through which the core benefit is delivered.

iii. **Augmented Product:** The third or outermost level consists of additional benefits and services associated with the actual product. These may include warranty, after-sales service, delivery, installation, maintenance, customer support and financing facilities.

Thus, customers evaluate a product not merely on the basis of its physical characteristics but on the total value and benefits provided by the core, actual and augmented levels. This three-level composition can be applied to both tangible products and services, although the specific elements may vary according to the nature of the offering.

2.1.3 Classification of Products

Products can be classified based on their characteristics, use and the nature of the users. A commonly used classification of products is based on user status, durability and tangibility. In simple terms, products can be classified according to the following three criteria:

a. User status

b. Extent of durability

c. Tangibility

Now, let us discuss each criteria in detail.

2.1.3.1 Products Based on User Status

Based on the type of users, products can broadly be classified into consumer goods and industrial goods.

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a. Consumer Goods

Consumer goods are products that are purchased and used by individuals or households for personal consumption or to satisfy personal needs and wants, rather than for commercial or industrial purposes.

Consumer goods can be classified into three main categories:

i. **Convenience Goods :** These are products that are frequently purchased, readily available and require minimal effort in their selection and purchase. Examples include groceries, toiletries and newspapers.

ii. **Shopping Goods :** These are products that consumers typically spend more time and effort comparing and evaluating before making a purchase decision. They are generally purchased less frequently than convenience goods and may involve greater expenditure. Examples include clothing, furniture and consumer electronics.

iii. **Specialty Goods :** These are products with unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort. Consumers often have strong preferences for particular brands or products and are willing to spend considerable time and effort to obtain them. Examples include luxury cars, high-end jewellery and designer clothing.

Now let us move on to the next set of products based on user status, namely, industrial goods.

b. Industrial Goods

Industrial goods are products purchased by individuals or organisations for use in producing other goods and services, for conducting business operations, or for resale. Unlike consumer goods, their demand is generally derived from the demand for the goods and services they help to produce. Examples include raw materials, machinery, components, equipment and operating supplies.

Industrial goods can be further classified into operating supplies, raw materials, accessory equipment, fabricating materials and parts, and installations.

Let us explore them one by one:

i. **Operating Supplies :** These are industrial goods that support an organisation's day-to-day operations without becoming part of the final product. They are generally short-lived, relatively low-priced items that can be purchased with comparatively little effort. Examples include stationery, cleaning materials and lubricating oil.

ii. **Accessory Equipment :** Industrial goods used to support the production or business operations of a buyer but which do not become part of the finished product are called accessory equipment. Examples include computers, office equipment, small machinery and tools used in business operations.

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iii. **Raw Materials :** These are industrial goods that become part of another product through processing or manufacturing. Raw materials can broadly include agricultural products and natural products.

Agricultural products include items such as fruits, milk, cotton and wheat. Natural products include minerals, wood and marine products. Their characteristics, availability, perishability, transportation requirements and sources of supply influence their marketing and distribution.

iv. **Fabricating Materials and Parts :** These industrial goods have already been processed to some extent and become part of the final product, either directly or after further processing. Examples include steel used in automobile manufacturing, tyres used in automobiles and electronic components used in electronic products.

v. **Installations :** These are major industrial products used to support or expand the production capacity of an organisation. They generally include large-scale and long-term assets such as heavy machinery, generators, production equipment and other major installations. They are usually purchased after considerable evaluation and may require technical consultation, installation, training and after-sales service.

Now, let us move on to the classification based on the extent of durability.

2.1.3.2 Based on the Extent of Durability

Based on their durability, products can be classified into durable goods and non-durable goods.

Durable Goods

Durable goods are products that normally provide benefits or services to the owner over an extended period. Examples include televisions, refrigerators, air conditioners, ovens and automobiles.

Non-Durable Goods

Non-durable goods are products that are normally consumed or used up within a short period or through a limited number of uses. Examples include newspapers, soap, milk and other frequently consumed household products.

With this, we conclude the classification based on durability. Now, let us move on to the classification based on tangibility.

2.1.3.3 Based on Tangibility

Based on tangibility, products can broadly be classified into tangible goods and services.

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Tangible Goods

Tangible goods are physical products that can generally be seen, touched and physically possessed. This includes the consumer and industrial goods discussed above, as well as durable and non-durable goods.

Services

Unlike tangible goods, services are primarily intangible activities, performances or benefits offered to customers to satisfy their needs and wants. Services do not normally result in ownership of a physical product. Examples include banking, insurance, healthcare, education, hospitality, transportation and tourism.

Services can be marketed using many of the principles used for tangible products, although their distinctive characteristics require appropriate modifications in marketing decisions. Factors such as service quality, customer experience, people, processes and the physical evidence associated with the service become particularly important.

For example, airlines, banks, insurance companies, hotels, hospitals and educational institutions offer services. A service may therefore be considered a market offering in its own right, even when it is not associated with the sale of a tangible product.

2.1.4 Product Line

A product line is a group of products with similar features that can satisfy the same or closely related needs and wants. For instance, the Lifebuoy brand deals in different categories of products, including body wash, hand wash, sanitiser and bar soap. These closely related products can be considered different product lines within the brand. Thus, a product line is basically a group of similar or closely related products or product items.

In the opinion of American marketing author, consultant and distinguished Professor of International Marketing Philip Kotler, "A product line is a group of products that are closely related because they function in a similar way, are sold to the same customer groups, are marketed through the same type of outlets, or fall within a given price range."

Based on the above definition, the following are the important characteristics of a product line.

2.1.4.1 Characteristics of a Product Line

1. **Closely related products:** A product line involves closely related product items. The products may differ in characteristics such as colour, size, shape, performance, weight, capacity or other features, while still serving related customer needs.

2. **Common target customers:** Products in a product line are generally designed to cater to the needs of the same or closely related groups of buyers.

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3. **Similar functions or related uses:** Products within a product line generally perform similar functions or provide closely related benefits to customers.

4. **Common distribution channels:** Products in a product line are often distributed through the same or similar distribution channels and may be sold through similar types of outlets.

5. **Related price range:** Products in a product line may fall within a related price range, although individual products can be priced differently according to their features, quality and benefits.

6. **Variety for customers:** A product line provides customers with a choice of products with different features, sizes, qualities or price points, thereby enabling the organisation to serve different preferences within its target market.

7. **Common or related production capabilities:** Products within a product line may use similar production facilities, technology, skills or resources, although this is not essential in every case.

Thus, a product line consists of closely related products that enable an organisation to serve related customer needs while offering appropriate variations in features, benefits and price.

2.1.5 Product Line Dimensions

As with the dimensions of any object, a product line also has different dimensions that help an organisation understand and manage its product offerings. The important dimensions discussed here are product item, product line length, product line width and product line depth.

Product Item

Each individual product or specific offering that is included in a product line is termed a product item. These products are generally related to one another, but may vary based on quality, size, colour, capacity, price, model, performance and other features.

For instance, if we consider the Lifebuoy brand's bar soap product line, individual variants such as Lemon Fresh Soap Bar, Lifebuoy Care Soap Bar and Total Germ Protection Soap Bar can be considered product items within that line.

Product Line Length

Product line length refers to the total number of product items included in a particular product line.

For example, if a company offers five different product items in a particular product line, the length of that product line is five.

An excessively long product line may sometimes lead to product cannibalisation, where the sales of one product reduce the sales of another product of the same company. This may happen when products are very similar and target the same customer segment.

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Therefore, organisations need to balance the benefits of offering greater variety with the possible duplication of products and reduction in the sales of existing products.

Product Line Width

Product line width refers to the number of different product lines offered by an organisation. In a broader product-mix context, this is also referred to as product-mix width or breadth.

For instance, a consumer electronics company such as Sony may offer product lines such as televisions, cameras, audio equipment and gaming products. The presence of several different product lines indicates a wider product mix.

Thus, width is concerned with the number of different product lines, whereas length is concerned with the number of product items within a particular product line.

Product Line Depth

Product line depth refers to the number of variants or versions offered within a particular product item or product line. These variants may differ in terms of size, flavour, colour, model, features, packaging or other characteristics.

For instance, PepsiCo's Lay's potato chips are offered in different flavours and package sizes. Such variations contribute to the depth of the product offering. Thus, greater depth provides customers with more choices within a particular product line.

Relationship among Product Line Dimensions

The dimensions can be understood simply as follows:

Table 2.1.1 Relationship among Product Line Dimensions

Dimension	What it tells us	Simple example
Product Item	An individual offering	One specific soap variant
Product Line Length	Number of items in one product line	5 soap variants
Product Line Width	Number of different product lines	Soaps, shampoos, body wash
Product Line Depth	Number of variants within a product offering/line	Different sizes, flavours or versions

2.1.6 Product Line Strategies or Decisions

The following are some of the frequently used product line strategies or decisions. In simple words, these are the planned activities of adding, modifying or deleting particular product items within a product line to meet changing customer needs and organisational objectives.

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Product Line Stretching

Product line stretching refers to lengthening the current product line by adding new product items beyond its existing range. This can be achieved in three distinct ways: downward stretching, upward stretching and two-way stretching. These are explained as follows:

i. **Downward Stretching** : This means adding new product items to the current product line at a lower price and generally targeting price-conscious customers. For instance, Titan introduced the Sonata brand of watches to cater to customers looking for more affordable wristwatches.

ii. **ii. Upward Stretching** : This indicates adding new product items at higher prices and generally targeting higher-income or premium customer segments. Companies may stretch upward to add prestige to the existing product line, reach new customer segments or obtain higher profit margins. For instance, Maruti Suzuki expanded into the premium segment with models such as Baleno to attract customers looking for higher-priced offerings.

iii. **iii. Two-way Stretching** : This means adding new product items both above and below the existing product range. A company following this strategy attempts to serve customers at both the higher and lower ends of the market while continuing to serve its existing segment.

iv. **iv. Line Filling :** Line filling means adding new product items within the existing range of a product line. The new items are introduced to fill gaps in the product line, meet changing customer preferences, utilise excess production capacity, increase profits, attract new customers or respond to competitive offerings.

   For instance, Maruti Suzuki introduced the Alto in 2000, which helped fill a gap in its small-car range between existing models such as the Maruti 800 and Maruti Zen.

v. **Line Pruning :** Line pruning means reducing the depth of a product line by removing one or more product items from the existing line. This is mainly done when certain products are unprofitable, have declining demand, overlap significantly with other products or no longer fit the organisation's strategy.

   For instance, PepsiCo discontinued Pepsi Blue, a berry-flavoured soft drink introduced in 2002, after its market performance did not meet expectations.

2.1.7 Product Diversification

Generally, the term diversification indicates an expansion of business into new areas. In marketing, product diversification refers to a growth strategy in which an organisation introduces new products, usually involving entry into new product-market areas. It may involve entering a new product line, a new market, or both, depending on the diversification strategy adopted by the organisation.

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Product diversification should not be confused with product differentiation. Product differentiation refers to making a product distinct from competing products through features, quality, design, brand image, service or other attributes, whereas diversification involves expanding the organisation's product or business activities into new areas.

Product diversification is a high-level management decision based on the resources, knowledge, skills, technology and financial capabilities available to an organisation. It is generally undertaken to achieve growth, reduce dependence on a single product or market, utilise organisational resources more effectively and improve long-term business stability.

The concept of diversification was introduced by Harry Igor Ansoff as one of the four major growth strategies in the Ansoff Matrix. According to Ansoff, "diversification is the entry into new markets with new products." Thus, diversification represents the strategy of entering a new product and a new market simultaneously.

Product diversification can broadly be classified into concentric diversification and conglomerate diversification. Organisations may also replace existing products with new products as part of their product portfolio and renewal strategies.

2.1.7.1 Concentric Product Diversification

Concentric product diversification means diversifying into a product or product line that is related to the organisation's existing business. The new product may use existing technological capabilities, production facilities, marketing expertise, distribution channels or other organisational resources.

For instance, a company with expertise in producing cameras may diversify into related imaging or office equipment products by utilising some of its existing technological and marketing capabilities.

The main advantage of concentric diversification is that the organisation can make use of its existing strengths while entering a new product area.

2.1.7.2 Conglomerate Product Diversification

Conglomerate product diversification means diversifying into a product or business that is unrelated to the organisation's existing products or markets. It involves entering an entirely different business area and may therefore require different skills, technologies, distribution arrangements and managerial expertise.

For instance, Walt Disney expanded from its traditional entertainment business into theme parks and vacation properties such as Disney World and Disneyland.

Conglomerate diversification can provide opportunities for growth and risk spreading, but it can also involve greater financial and managerial risks because the organisation is entering an unfamiliar business area.

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2.1.7.3 Objectives of Product Diversification

The various objectives of product diversification are as follows:

1. To make effective use of emerging market opportunities.
2. To attain greater stability in organisational earnings by reducing excessive dependence on a single product or market.
3. To utilise organisational resources efficiently, including human, physical, technological and financial resources.
4. To increase sales and profitability by entering new product-market areas.
5. To utilise the value of an established brand, technology, distribution network or other organisational strengths in new business areas.
6. To respond to changes in customer needs and market conditions by developing new products and entering new markets.
7. To reduce business risk associated with overdependence on a particular product, customer group or market.

These objectives serve as important means for the growth, expansion and long-term stability of an organisation.

2.1.7.4 Factors Motivating Product Diversification

The following are some of the major factors that may motivate an organisation to diversify its products:

1. Technological Development

The advancement of science and technology creates opportunities for new and improved products. At the same time, technological changes may make existing products obsolete. Organisations may therefore diversify to take advantage of new technologies and changing customer requirements.

2. Management's Growth Objectives

Efficient management is continuously concerned with the growth and long-term stability of the organisation. Diversification can help an organisation reduce the risks associated with excessive dependence on a limited number of products or markets and create new sources of growth.

3. Limitations of Existing Markets

The inadequacies or limitations of the existing market may encourage an organisation to diversify. Slow market growth, intense competition, declining demand or limited opportunities in the existing business may motivate the organisation to search for new product-market opportunities.

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4. Changes in Consumer Behaviour

Changes in consumer needs, preferences, lifestyles, fashion and purchasing behaviour can create opportunities for new products. Organisations may diversify their product offerings to respond to these changing requirements.

5. Competitive Pressure

Increasing competition may encourage organisations to diversify in order to protect their market position, enter new markets or create additional sources of competitive advantage.

2.1.7.5 Important Distinction from Product Line Decisions

Product diversification should be distinguished from ordinary product line decisions. Adding a new flavour, colour, size or minor variation of an existing product generally represents product line extension or product modification, rather than true diversification. Diversification involves a more significant expansion into new products and, particularly in the Ansoff sense, new markets.

For example, introducing different flavours of an existing snack product is generally a product-line or product-variant decision. In contrast, a company known primarily for producing packaged food entering an unrelated business such as financial services would represent a much broader form of diversification.

Product diversification therefore involves greater strategic commitment than simply adding variants to an existing product line. It requires careful assessment of market opportunities, resources, investment requirements, risks and the organisation's long-term objectives.

With this, we conclude product diversification.

2.1.8 Product Life Cycle

A product is the result of various marketing and management decisions. From a marketing perspective, a product passes through different stages in the market from the time it is introduced until it is eventually withdrawn or replaced. This concept is referred to as the Product Life Cycle (PLC).

The Product Life Cycle concept suggests that, similar to living entities, products generally pass through a sequence of stages. A product is introduced into the market, its sales begin to grow as market acceptance increases, sales eventually reach maturity, and later the product may experience a decline in sales. In some cases, the product may then be modified, repositioned or replaced by a new product.

For example, traditional photographic film was gradually affected by digital cameras, while digital cameras in turn faced competition from smartphones with increasingly sophisticated cameras. Similarly, physical music formats such as CDs have been affected by digital downloads and, subsequently, music streaming services. These

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examples illustrate how technological developments, changing consumer preferences and competitive forces can alter the life of products in the market.

The Product Life Cycle indicates the period and sequence of market development of a product, beginning with its introduction and continuing through its growth, maturity and possible decline. However, the duration and characteristics of each stage vary considerably from product to product. Some products may pass through the stages very quickly, while others may remain in the market for many years through product modifications, repositioning and continuous innovation.

The PLC concept is useful to management in taking marketing decisions such as determining the level of promotion, identifying opportunities for entering new markets, modifying the product, reviewing pricing decisions and deciding whether the product should be retained, repositioned or eventually withdrawn.

The traditional Product Life Cycle describes four major stages, namely:

1. Introduction
2. Growth
3. Maturity
4. Decline

Let us explore each of these stages.

2.1.8.1 Introduction Stage

During the introduction stage of a product, sales are generally low because the product is new and only a limited number of consumers are aware of it and its benefits. Consumers may be reluctant to switch from existing products or may need time to understand the new product.

Marketing expenditure is usually high during this stage because the organisation needs to create awareness, communicate the product's benefits, encourage trial and establish distribution. As a result, the product may generate low profits or even losses in the initial period.

Competition may also be relatively limited, particularly when the product is genuinely innovative. However, as the product demonstrates market potential, competitors may begin to enter the market.

The major characteristics of the introduction stage include:

- ◊ Low or slow-growing sales
- ◊ High promotional and distribution expenditure
- ◊ Limited market awareness
- ◊ High cost per customer acquired

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- ◊ Limited or emerging competition
- ◊ Low profits or possible losses
- ◊ Greater emphasis on creating awareness and encouraging product trial

2.1.8.2 Growth Stage

If the product is accepted by the market, it enters the growth stage. During this stage, sales increase rapidly as awareness expands and more consumers begin to purchase the product. Distribution becomes wider and the organisation may benefit from economies of scale, resulting in an improvement in profitability.

The increasing attractiveness of the market also attracts competitors. New competitors may introduce similar products, while existing competitors may improve their own offerings. Consequently, the organisation needs to strengthen its competitive position by improving the product, expanding distribution and communicating its value to customers.

The growth stage is generally characterised by the rapid increase in sales and market acceptance, rather than simply by the highest level of sales.

The major characteristics of the growth stage include:

- ◊ Rapidly increasing sales
- ◊ Increasing customer acceptance
- ◊ Wider distribution
- ◊ Improving profitability
- ◊ Increasing competition
- ◊ Greater emphasis on building market share
- ◊ Product improvements and variations may be introduced

2.1.8.3 Maturity Stage

The maturity stage occurs when the product has achieved widespread market acceptance and sales growth begins to slow down. Sales may continue to increase for some time, but the rate of growth gradually declines and eventually becomes relatively stable.

Competition is usually intense during this stage because several firms may be offering similar products. Organisations may use price adjustments, promotional programmes, product improvements, differentiation, new packaging, additional services and new market segments to protect or increase their market share.

Although sales are generally at or near their highest level during the maturity stage, profitability may come under pressure because of increased competition and higher

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promotional and other marketing expenditure. Therefore, organisations often attempt to extend the product's life through modification, repositioning or finding new uses and users.

The major characteristics of the maturity stage include:

- ◊ Sales reach a high level and growth slows down
- ◊ Market acceptance is widespread
- ◊ Competition is intense
- ◊ Price competition may increase
- ◊ Profit margins may come under pressure
- ◊ Promotional expenditure may remain significant
- ◊ Product modification and market development become important

2.1.8.4 Decline Stage

If the product is unable to maintain its market position, sales may enter the decline stage. Declining sales may result from changes in consumer preferences, technological developments, the introduction of superior substitute products, changes in market conditions or increased competition.

During this stage, some customers may continue to purchase the product. These may include loyal customers, consumers who are reluctant to switch to alternatives or customers who have specific uses for the product. However, the overall market demand continues to decline.

The organisation must decide whether to continue the product, reduce its market coverage, reposition it, modify it, find new uses or markets, or withdraw it completely. If the product is no longer commercially viable, it may eventually be discontinued and replaced by a new product.

The major characteristics of the decline stage include:

- ◊ Falling sales
- ◊ Declining market demand
- ◊ Reduced profitability
- ◊ Changes in consumer preferences or technology
- ◊ Intense competition from substitutes or newer products
- ◊ Reduction in marketing support in some cases
- ◊ Possibility of product withdrawal or replacement

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The stages of the PLC are not necessarily equal in duration, nor does every product pass through them in exactly the same manner. Some products may have a very short life cycle, while others may remain in the maturity stage for decades. Products such as seasonal or fashion-related goods may experience rapid changes, whereas medicines, household products or established brands may remain in the market for a very long period.

Further, a product may sometimes experience a revival or extension of its life cycle through product modification, repositioning, new uses, new customer segments or entry into new markets. Therefore, the PLC should be viewed as a useful marketing framework rather than a rigid prediction of a product's future.

Understanding the Product Life Cycle helps managers anticipate changes in market conditions and align their marketing decisions with the stage of the product. It also helps organisations determine when to invest more in promotion and product development, when to defend market share, and when to consider repositioning, replacement or withdrawal.

Thus, the Product Life Cycle is an important concept for understanding how the sales and market position of a product change over time and how marketing decisions need to evolve accordingly.

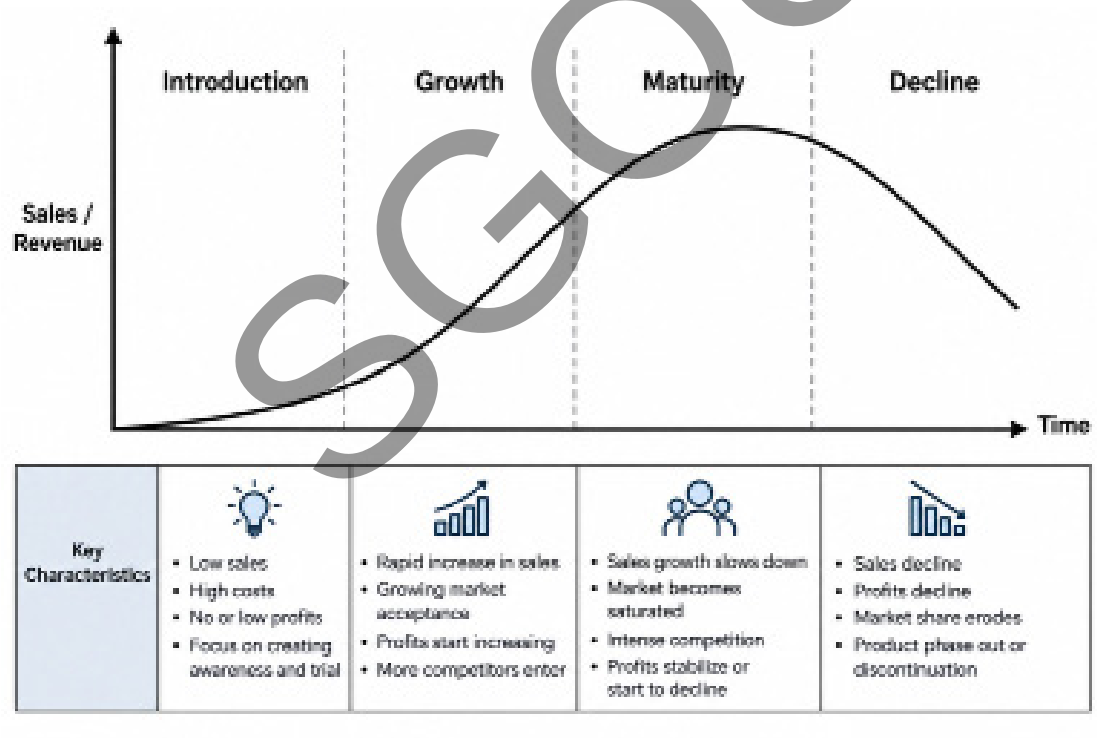


Fig. 2.1.1 Product Life Cycle

2.1.9 New Product Development

New Product Development (NPD) is the process of developing and bringing a new product or a significantly improved product to the market. An organisation may engage

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in this process to capitalise on a new market opportunity, respond to changes in consumer preferences, address increasing competition, utilise technological advancements or replace products that are approaching decline. New product development stems from the concept of product innovation, which refers to the development and subsequent introduction of goods or services that are either new or significantly improved versions of existing goods or services.

Thus, the term 'new product' can refer to:

1. A product that is new to the organisation, even though similar products are already available in the market.
2. A product innovation that is being introduced to the market for the first time. It may be a completely new product or an existing product that has been substantially modified or improved.
3. A new product created by modifying, repositioning or combining existing products, technologies or features to provide a new value proposition to customers.

Therefore, 'new' does not necessarily mean that the product has never existed anywhere in the world. A product may be new from the perspective of the organisation, the target market or the technology involved.

New product development is not limited to large organisations. New businesses, sole traders and even individual entrepreneurs can research, develop and introduce new products in the market. Organisations may also obtain access to new products or technologies through licensing, acquisition, joint ventures, technology transfer or collaborative development.

It is very important for companies to constantly look for new opportunities for product development for long-term survival in a fast-changing and competitive market environment. Even if a company holds a strong or dominant position in the market, there is always a possibility that innovative substitute products or technologies may emerge and reduce the demand for its existing products. For instance, fibre-optic technology has progressively replaced certain applications of conventional copper-based communication systems, while carbon-fibre materials have found applications in automobiles where their properties provide advantages over traditional materials.

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2.1.9.1 Process of New Product Development

New Product Development is generally viewed as a systematic process consisting of a series of stages. The exact terminology and number of stages may vary among organisations, but the following seven-stage process provides a useful framework for understanding NPD.

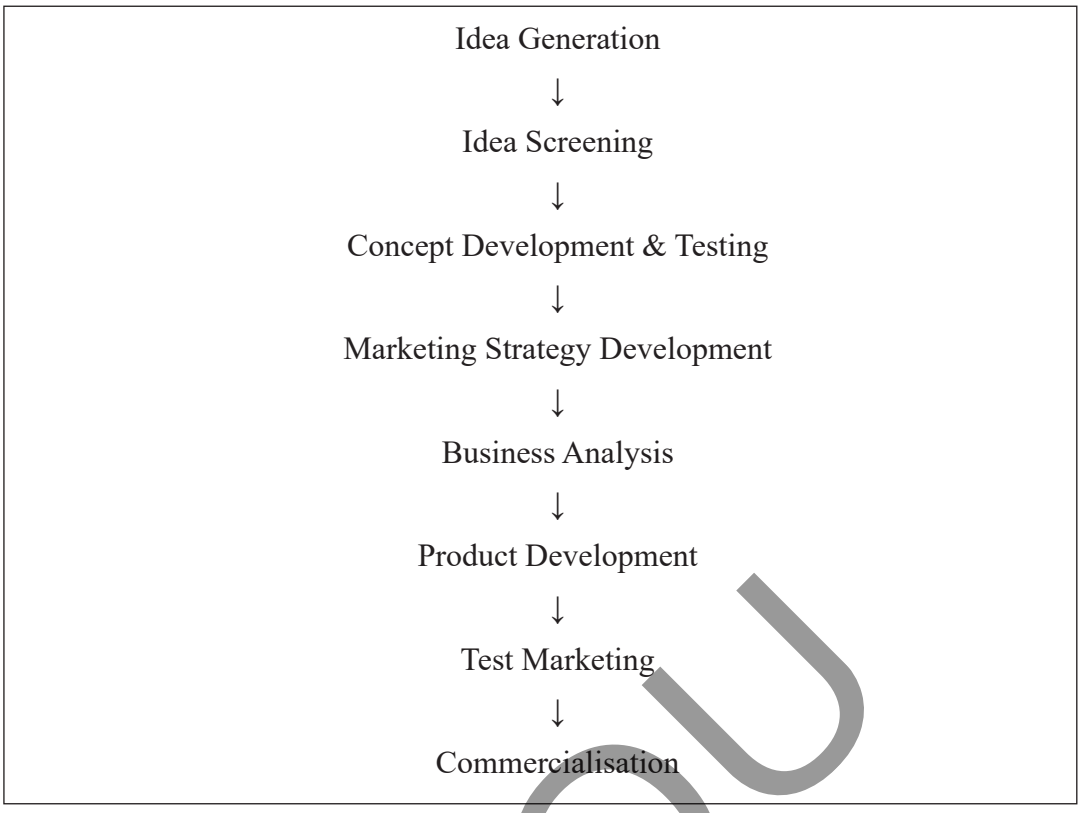


Fig. 2.1.2 Process of New Product Development

1. Idea Generation

The product development process begins with sourcing ideas. Ideas can originate from any source such as consumers, employees, distributors, retailers, competitors, suppliers, independent researchers, consultants and technological developments. Problems experienced with existing products can also provide ideas for new product development.

For instance, difficulties experienced by consumers in using an existing product may lead to the development of a product that is lighter, easier to use, more convenient or more efficient. Competitors' products can also provide useful insights when marketers examine their strengths, weaknesses and customer complaints.

Some commonly used techniques for generating new product ideas are Brainstorming, Focus Groups, Attribute Analysis, the Delphi Method and Trend Analysis.

a. Brainstorming

Brainstorming, associated with Alex F. Osborn, involves bringing together a group of people to generate a large number of ideas around a particular problem or opportunity. Participants are encouraged to express ideas freely, without immediately evaluating or criticising them. Evaluation is undertaken after sufficient ideas have been generated.

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b. Focus Groups

A focus group is a structured discussion involving a small group of selected participants who provide insights, opinions and reactions regarding a particular product, need, problem or market opportunity. It is a qualitative research technique commonly used in marketing and product development to explore consumer needs, identify possible product ideas and refine product concepts.

c. Attribute Analysis

In attribute analysis, an existing product is studied by breaking it down into its important attributes, features or components. One or more attributes can then be modified to improve the product or create a new version. Although this technique may not always produce breakthrough innovations, it can be useful for product improvement and differentiation.

d. Delphi Method

The Delphi Method is a technique used to obtain and refine the opinions of a group of experts through a series of rounds of questioning. The experts generally respond independently and anonymously, and a summary of the responses is provided for subsequent rounds. This process can help identify areas of agreement and develop informed judgements about future products, technologies or market developments.

e. Blue Ocean Strategy

Blue Ocean Strategy focuses on creating new market spaces rather than competing directly in highly contested existing markets. It encourages organisations to seek opportunities for value innovation by developing products or services that can attract new customers and create new sources of demand.

f. Trend Analysis

Trend analysis involves examining past and current developments to identify patterns that may indicate future changes in consumer behaviour, technology, competition and markets. Information may be obtained from sales data, customer feedback, social media, industry reports and other market sources. Such analysis can assist organisations in identifying emerging opportunities and developing products that are relevant to future market conditions.

2. Idea Screening

After a reasonable number of ideas have been generated, the next step involves screening them. Ideas may be evaluated by management and by representatives from marketing, finance, production, research and development, engineering and other relevant functions.

Screening enables ideas to be examined from different perspectives, including technical feasibility, market potential, resource requirements, financial viability and strategic fit. Some ideas may be rejected, some accepted and others accepted with modifications.

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Screening is mainly concerned with three broad criteria:

- ◊ **Market criteria:** market size, growth potential, customer needs, competition, target market, positioning and distribution possibilities.
- ◊ **Product criteria:** product benefits, degree of innovation, technical feasibility, quality, servicing requirements and legal considerations.
- ◊ **Financial criteria:** investment requirements, expected sales, costs, profitability, cash flows and return on investment.

The objective of screening is not to identify the product that is guaranteed to succeed, but to eliminate ideas that are clearly unsuitable and to identify those that deserve further investigation.

3. Concept Development and Testing

After an idea has been approved for further consideration, it is developed into a product concept. A product concept provides a more specific description of what the proposed product will offer, who will use it and what customer need it will satisfy.

The concept normally considers the target consumers, the problem or need to be addressed, the major benefits offered, the product's distinctive features and its likely positioning in relation to existing alternatives.

The developed concept may then be tested with potential customers to determine whether they understand the proposed product, find it useful and consider its benefits attractive. Feedback at this stage can help the organisation modify the concept before making substantial investments in product development.

4. Business Analysis

Business analysis is carried out after the product concept has been evaluated. It involves a detailed appraisal of the commercial feasibility of the proposed product.

The analysis may include sales forecasting, cost estimation, pricing considerations, investment requirements, expected profitability, cash-flow implications, break-even analysis, competitive responses and the likely effect of the new product on the organisation's existing product portfolio.

Since future market conditions cannot be predicted with complete accuracy, organisations often consider different assumptions and scenarios. The objective is to determine whether the expected commercial benefits justify the resources and risks involved in developing the product.

5. Product Development and Marketing Strategy Development

At this stage, the approved product concept is translated into a tangible product or a functioning service. Technical, engineering, research and development and production personnel work on developing the product according to the agreed specifications.

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At this stage, there may be three possibilities:

a. The organisation may successfully develop a product that meets the desired specifications.

b. Technical or production difficulties may prevent the product from being developed economically or at the required standard.

c. The organisation may develop a product that only partially reflects the original concept and therefore requires modification.

Alongside product development, the marketing function develops the broad marketing strategy for the proposed product. This includes decisions relating to the target market, positioning, branding, packaging, pricing, distribution, promotion and customer service.

The product may undergo several rounds of prototype development and testing before it is considered ready for market introduction.

6. Test Marketing

Once a satisfactory prototype or service offering has been developed, the organisation may test the product before full-scale commercialisation. Test marketing involves introducing the product under controlled or limited market conditions to assess customer response and the effectiveness of the proposed marketing strategy.

Test marketing can provide information about customer acceptance, purchase behaviour, pricing, distribution, promotional effectiveness and possible weaknesses in the product. The feedback obtained can be used to modify the product or marketing strategy before a large-scale launch.

Traditional test marketing may involve launching the product in selected geographical markets. However, modern organisations may also use pilot launches, online experiments, A/B testing, limited digital campaigns, pre-orders and other controlled market experiments.

Test marketing also involves certain risks. Competitors may obtain information about the new product and respond before the organisation completes its launch. Excessive exposure during the testing period may also create customer expectations that the organisation may later find difficult to meet.

At this stage, management may decide to commercialise the product, modify and retest it, postpone the launch or abandon the product.

7. Commercialisation

Commercialisation is the stage at which the organisation takes the final decision to introduce the product on a full commercial scale.

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Commercialisation involves decisions regarding:

- ◊ when to launch the product;
- ◊ where to launch it;
- ◊ which customer segments to target;
- ◊ the scale and speed of market entry;
- ◊ distribution and sales arrangements;
- ◊ production capacity;
- ◊ promotional expenditure; and
- ◊ coordination of the overall marketing programme.

After a successful test marketing programme, the company initiates commercial production and market introduction. It is generally preferable to minimise unnecessary delays between testing and commercialisation because changes in technology, consumer preferences, competition, regulations and other environmental factors may affect the attractiveness of the product.

However, management should also have the maturity to abandon the new product development process at any stage if the evidence indicates that commercialisation is unlikely to be successful. Investment already made should not be treated as a reason for continuing a product that is no longer commercially viable.

2.1.9.2 Reasons for Failure of a New Product

New products may fail even after considerable investment in research, development and marketing. A major reason is that the product does not adequately meet customer needs or does not provide sufficient value compared with available alternatives. Failure may occur because the organisation misunderstood customer requirements, underestimated competition, selected an inappropriate target market or failed to adapt to changes in the environment.

The failure of a new product may specifically be attributed to the following reasons:

- ◊ **Product Not Meeting Requirements:** Product factors such as functionality, quality, design, size, shape, colour, materials and performance may fail to meet customer expectations.
- ◊ **Packaging Not Meeting Acceptability:** The functional quality of packaging, material, size, shape, colour, design, language, instructions, accessibility, reusability and ease of opening and closing can influence product acceptance.
- ◊ **Labelling Not Meeting Preference:** The information provided on the label, including language, size, design, instructions and other product information, can influence consumer understanding and preference.

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- ◊ **Weak Brand Positioning:** Brand name, identity, reputation and positioning can influence purchase decisions. A technically good product may struggle if customers do not recognise the brand or understand its distinctive value.
- ◊ **Poor Service Offers:** Pre-sale, point-of-sale and after-sales services play a vital role, particularly in the case of high-value durable consumer goods and capital equipment. Customers may expect product demonstrations, installation, maintenance guidance, training, warranties and timely after-sales support. Failure in these areas can negatively affect product acceptance and repeat purchases.
- ◊ **Faulty Distribution Strategy:** Selection of inappropriate channels and outlets, inadequate availability, inconvenient locations and poor distributor or retailer service can restrict the success of a new product.
- ◊ **Inappropriate Pricing:** A mismatch between perceived product value and price can discourage purchase. Pricing problems may also arise from unsuitable credit terms, insufficient promotional incentives or prices that do not correspond with competitors and customer expectations.
- ◊ **Lack of Effective Promotion:** Selection of inappropriate promotional tools or communication platforms, ineffective advertising, poor message design, inadequate personal selling or insufficient sales promotion may prevent customers from understanding the product and its benefits.
- ◊ **Unfavourable Environment:** Changes in technological, legal, competitive, economic, political, social or cultural conditions may adversely affect the success of a new product.
- ◊ **Poor Timing:** Even a well-designed product may fail if it is introduced too early, when the market is not ready, or too late, when competitors have already established strong positions.
- ◊ **Inadequate Market Research:** Incorrect interpretation of customer needs, overreliance on limited research or failure to test the underlying assumptions can result in the development of a product that has insufficient market demand.

The above causes can be avoided to an extent through proper market analysis, customer research, systematic evaluation and thorough planning. Not every product turns out to be a success, but each failure needs to be analysed properly so that shortcomings can be avoided and valuable information can be acquired for the development of subsequent products.

2.1.10 Packaging

A package is the container, wrapper or other material used to contain and protect a product. Packaging is an extension of the product and performs an important role in protecting the product until it reaches the consumer and is ready for use or consumption. In other words, it serves as a means of delivering the product to the consumer in an appropriate and usable condition.

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According to Philip Kotler, "Packaging is the activity of designing and producing the container or wrapper for a product."

Based on this definition, packaging may be understood as the art and science of designing and producing containers or wrappers for the protection, distribution, storage, sale and use of products. Packaging therefore involves much more than simply enclosing a product. It also performs important marketing and logistical functions.

Packaging helps to protect, preserve, transport, inform, differentiate and promote products.

In modern marketing, packaging is particularly important for consumer products because the package is often the first physical point of contact between the consumer and the product. Its design, convenience, information and visual appeal can influence consumer perceptions and purchase decisions.

2.1.10.1 Functions of Packaging

Packaging performs several important functions. The major functions are as follows:

i. Protection

The primary function of packaging is to protect the product from physical damage and environmental factors during handling, transportation, storage, distribution and display. It may protect the product from shock, vibration, moisture, dust, light, contamination and other forms of damage.

ii. Preservation

Packaging can help preserve the quality, quantity and shelf life of a product. This is particularly important for food, beverages, medicines and other products that may deteriorate when exposed to environmental conditions.

iii. Appeal and Promotion

Packaging can serve as an important marketing communication tool. Particularly in self-service retail environments, the package may attract attention, communicate product benefits and differentiate the product from competing products. For this reason, packaging is sometimes described as a "silent salesman."

iv. Performance and Functionality

The package should perform the functions for which it has been designed. In some products, packaging is closely integrated with the actual use of the product. For instance, an aerosol container functions both as a package and as a mechanism for dispensing the product. Similarly, pumps, spray bottles, squeezable tubes and resealable containers add functional value to products.

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v. Convenience

Packaging should provide convenience to consumers as well as wholesalers, retailers and other members of the distribution channel. Easy opening, closing, carrying, storing, dispensing and disposing of the package can improve the consumer experience.

vi. Information and Identification

Packaging provides information about the product, such as its name, brand, ingredients, quantity, directions for use, warnings, manufacturing details and other legally required information. It also helps consumers identify the product and distinguish it from competing products.

vii. Cost-effectiveness

Packaging should provide the required level of protection and functionality at an economically justifiable cost. Excessive packaging may increase product costs, while inadequate packaging may result in damage, wastage and higher distribution costs.

2.1.10.2 Requirements of Effective Packaging

An effective package should satisfy both functional and marketing requirements. Some important requirements are as follows:

i. Product Description

The packaging should communicate what the product is, what it does and, where appropriate, the major benefits it provides. Words, graphics, symbols, colours and other design elements may be used to communicate the product message quickly and clearly.

ii. Product Image

The appearance of the package should be consistent with the positioning and image of the product. For instance, the packaging of a premium product is generally expected to communicate quality and exclusivity.

iii. Product Value

Packaging can influence consumers' perceptions of the value and quality of a product. A well-designed package can enhance the perceived value of the product, although the packaging should remain consistent with the actual product experience.

iv. Shelf Display

Packaging should make effective use of available shelf space and should provide adequate visibility among competing products. Stackability, stability, size, shape and display orientation are important considerations, particularly in retail environments.

v. Convenience and Usability

The package should be easy to open, handle, store, carry and use. Features such as resealable closures, dispensing mechanisms and appropriate package sizes can increase consumer convenience.

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vi. Safety and Legal Compliance

Packaging should protect consumers and comply with applicable legal and regulatory requirements. Appropriate warnings, instructions, declarations and product information should be provided wherever required.

vii. Environmental Considerations

Modern packaging decisions increasingly consider the environmental impact of packaging materials, including material consumption, recyclability, reusability, waste generation and disposal. Thus, sustainability has become an important consideration in packaging decisions.

2.1.10.3 Levels of Packaging

Packaging can be classified according to the level at which it is associated with the product.

i. Primary Packaging

Primary packaging is the package that comes into direct contact with the product or serves as its immediate container. For example, the bottle containing a beverage or the tube containing toothpaste constitutes primary packaging.

ii. Secondary Packaging

Secondary packaging contains or protects one or more primary packages and may also facilitate product identification and display. For example, a cardboard carton containing several individual beverage bottles can constitute secondary packaging.

iii. Tertiary Packaging

Tertiary packaging is primarily used for handling, transportation and distribution. It generally groups several secondary packages together for efficient storage and movement. Cartons, pallets and other shipping units are common examples.

The classification may vary depending on the product and its distribution system. For example, shrink wrap may function as primary, secondary or tertiary packaging depending on how and where it is used.

2.1.10.4 Types of Packaging

Packaging can also be discussed according to its purpose or characteristics. Some commonly identified types are as follows:

i. Family Packaging

Family packaging refers to the use of a similar packaging design, colour scheme, shape or other visual elements for products belonging to the same brand or product range. It helps create consistency and facilitates brand recognition.

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For instance, FMCG companies may use a common visual identity across several products in a brand family.

ii. Reusable Packaging

Reusable packaging is designed so that the package can be used again after the original product has been consumed. For example, certain food containers can be reused for household storage.

iii. Multiple Packaging

Multiple packaging involves placing several individual units of a product together in a single package. For example, a multipack containing several bottles or a four-pack of instant noodles can encourage bulk purchase and increase convenience.

iv. Transport Packaging

Transport packaging is designed primarily to protect products during handling, transportation and storage. It is particularly important where products are vulnerable to breakage, moisture, contamination or physical damage.

v. Consumer Packaging

Consumer packaging is designed primarily for the final consumer and generally incorporates branding, labelling, product information, visual appeal and appropriate quantities for purchase and use. Beverages in cans, chocolates in wrappers and toothpaste in tubes are examples.

vi. Industrial Packaging

Industrial packaging is used for the protection, handling, transportation and storage of raw materials, components, spare parts, semi-finished products and finished industrial goods. Its emphasis is often on protection, efficiency and ease of handling rather than consumer appeal.

The choice of packaging depends on several factors, including the nature of the product, product characteristics, required shelf life, distribution conditions, cost, consumer preferences, legal requirements, competitive practices and environmental considerations.

2.1.10.5 Packaging as a Marketing Decision

Packaging is not merely a production or logistics activity. It is also an important marketing decision because it can influence product differentiation, brand identity, consumer perception and purchase behaviour.

In a competitive retail environment, consumers may encounter several competing products that provide similar functional benefits. Packaging can therefore help a product attract attention, communicate its positioning, provide information and create a distinctive identity.

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2.1.10.6 Advantages of Effective Packaging

Effective packaging provides several benefits to producers, distributors, retailers and consumers.

i. **Protection:** It protects the product from damage, contamination and deterioration.

ii. **Preservation:** It helps maintain the quality and quantity of the product and can extend its useful shelf life.

iii. **Convenience:** It makes products easier to handle, transport, store, open and use.

iv. **Promotion:** Attractive packaging can draw consumer attention and communicate product benefits.

v. **Brand Recognition:** Consistent packaging can strengthen brand identity and help consumers recognise a product quickly.

vi. **Cost Efficiency:** Appropriate packaging can reduce product losses, handling difficulties and distribution costs.

vii. **Differentiation:** Distinctive packaging can help a product stand out from competing products and support its market positioning.

viii. **Information:** Packaging communicates important product information and assists consumers in making informed purchase and usage decisions.

ix. **Sustainability:** Appropriately designed packaging can reduce material use, facilitate reuse or recycling and support the organisation's environmental objectives.

Thus, packaging is much more than the "outer covering" of a product. It is an important component of the total product offering and contributes to protection, convenience, communication, differentiation and customer value.

2.1.11 Branding

To understand branding, let us first look into what a 'brand' is. A brand is a marketing concept that helps people identify and distinguish a particular company, product or service from others. In simple words, a brand is a name, term, design, symbol or any other feature that distinguishes one seller's goods or services from those of other sellers. However, a brand is more than a name or symbol. It represents the set of associations, meanings, experiences and expectations that consumers attach to an organisation, product or service.

Brands are valuable to organisations and consumers alike. A brand name, symbol or other identifiable element helps consumers recognise and recall a product at the point of purchase. More importantly, an established brand can reduce perceived risk, create

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familiarity and influence consumers' perceptions of quality and value. Thus, brands can serve as important sources of differentiation in competitive markets.

Brands can be viewed as clusters of functional and emotional value. According to Kotler and Keller, "branding is endowing products and services with the power of a brand." (Kotler & Keller, 2015)

Branding is the process of providing meaning to a specific organisation, product, service or person by creating and shaping a distinctive identity and a set of associations in the minds of consumers and other stakeholders. It is a deliberate strategy developed by organisations to help people identify, recognise and experience their brand and, consequently, provide them with reasons to prefer their products over those of competitors.

It is also important to distinguish between a brand, brand name and branding. A brand is the broader set of meanings and associations associated with an offering. A brand name is the verbal element used to identify it, while branding is the managerial process through which the organisation creates, communicates and maintains those associations.

Branding can provide enormous value to an organisation by creating differentiation and strengthening its competitive position. Strong brands may also support premium pricing, facilitate the introduction of new products and create customer loyalty. Brand elements such as names, logos, symbols and distinctive designs can be legally protected through mechanisms such as trademarks.

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2.1.11.1 Kinds of Branding

Branding can be applied to different entities depending on the nature and objectives of the organisation. Some important forms of branding are as follows:

1. Product Branding

Product branding is one of the most common forms of branding. It involves creating a distinctive identity for an individual product or product line so that it can be differentiated from competing offerings. The differentiation may be created through a brand name, logo, colour, design, packaging, communication and other identifiable elements.

For example, products such as Coca-Cola, Dove and Lifebuoy have distinctive identities that enable consumers to recognise and differentiate them from competing products.

2. Personal Branding

Personal branding refers to the deliberate development and management of an individual's professional or public identity. It is particularly relevant to politicians, athletes, celebrities, entrepreneurs, professionals and other public figures.

Personal branding involves communicating distinctive qualities, expertise, values and achievements to create a desired perception among the target audience. For instance, a public figure may develop a personal brand around expertise, leadership, innovation or social responsibility.

3. Corporate Branding

Corporate branding focuses on creating and maintaining the overall identity and reputation of an organisation rather than a single product. It influences how customers, employees, investors, suppliers and other stakeholders perceive the organisation.

Corporate branding is reflected through the organisation's products and services, leadership, corporate culture, employee behaviour, communication, corporate social responsibility and other organisational activities. Therefore, an organisation's individual actions can have either a positive or negative impact on its corporate brand.

4. Geographical Branding

Geographical branding is used to create a distinctive identity for a geographical location such as a country, state, city or region. It is commonly used in tourism, hospitality and the promotion of local products.

The landscape, cuisine, culture, heritage, products and tourist attractions of a region may be promoted in such a way that they become strongly associated with that geographical location. For example, Kerala's identity as a tourism destination has been associated with its backwaters, natural environment, traditional culture and Ayurveda.

5. Retail Branding

Retail branding involves creating a distinctive identity for a retailer rather than focusing only on the individual products sold by the retailer. It encompasses the store environment, product assortment, pricing, service quality, customer experience, communication and other elements through which customers perceive the retailer.

6. Co-Branding

Co-branding involves the deliberate association of two or more established brands in a particular product, service, marketing programme or business arrangement. The objective is generally to combine the strengths, recognition or customer bases of the participating brands.

For example, a credit card may carry the brands of both a financial institution and an airline. The success of such an arrangement depends on whether the association creates additional value for customers and strengthens the participating brands.

2.1.11.2 Brand Identity, Brand Image and Brand Positioning

For effective brand management, it is important to understand the distinction between brand identity, brand image and brand positioning.

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Brand Identity

Brand identity refers to how an organisation wants its brand to be perceived by its target customers and other stakeholders. It includes the values, personality, visual elements, communication style and associations that the organisation deliberately seeks to establish.

For example, an organisation may want its brand to be perceived as innovative, reliable, premium or environmentally responsible.

Brand Image

Brand image refers to the actual perceptions and associations held by consumers about a brand. Unlike brand identity, which is what the organisation seeks to communicate, brand image reflects what consumers actually perceive.

A gap may therefore exist between brand identity and brand image. Effective branding attempts to minimise this gap by ensuring that the organisation's promises and customer experiences are consistent.

Brand Positioning

Brand positioning refers to the place that a brand occupies in the minds of the target customers in relation to competing brands. It involves identifying the target market, establishing a distinctive value proposition and communicating the points of difference that make the brand preferable to competitors.

For example, a brand may position itself around affordability, premium quality, innovation, convenience or sustainability.

Thus, brand identity represents how the organisation wants to be perceived, brand image represents how the brand is actually perceived, and brand positioning represents the distinctive place the organisation seeks to occupy in the minds of its target customers.

2.1.11.3 Brand Equity

Brand equity refers to the additional value that a product or service derives from having a recognised and established brand name compared with an otherwise similar unbranded offering.

A strong brand can create value through brand awareness, favourable brand associations, perceived quality, customer loyalty and other positive responses. For example, consumers may be willing to pay a higher price for a branded product because they associate the brand with quality, reliability, status or a consistent customer experience.

Brand equity is important because it can provide an organisation with several strategic advantages, including stronger customer preference, greater loyalty, the possibility of premium pricing, easier introduction of new products and greater resistance to competitive pressures.

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2.1.11.4 Brand Extension and Line Extension

Brand extension and line extension are important branding decisions, particularly when organisations already possess a strong established brand.

Line Extension

Line extension occurs when an organisation introduces additional variants within an existing product category under an existing brand name. The new variant may differ in size, flavour, colour, formulation, packaging or other features.

For example, a beverage brand introducing new flavours or different package sizes under the same brand represents a line extension.

Brand Extension

Brand extension occurs when an established brand name is used to introduce a product in a different product category.

For example, a company with a well-established personal care brand may use the same brand name to enter a related category such as hair care or skincare.

2.1.11.5 Advantages of Branding

Branding provides advantages to both organisations and customers. The major advantages are as follows:

a. Advantages for Organisations

i. **Product Differentiation:** A brand name and other distinctive brand elements help marketers differentiate their products from competing products. This is particularly important when competing products have similar functional characteristics.

ii. **Support for Marketing Communication:** An established brand makes advertising and other promotional communication more meaningful because consumers can recognise and associate the communication with a particular offering.

iii. **Differential Pricing:** A strong brand may enable an organisation to command a price premium when customers perceive additional value in terms of quality, reliability, experience, status or other benefits. However, premium pricing must be supported by a credible value proposition.

iv. **Easier Introduction of New Products:** Organisations with strong and trusted brands may find it easier to introduce new products because existing awareness and positive associations can reduce the uncertainty associated with an unfamiliar offering.

v. **Customer Loyalty:** Strong brands can encourage repeat purchases and customer loyalty when the product consistently meets or exceeds customer expectations.

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vi. **Competitive Advantage:** A well-established brand can become an important intangible asset and create barriers to competitive imitation. Competitors may be able to copy product features more easily than the accumulated associations, reputation and customer relationships of a strong brand.

vii. **Legal Protection:** Brand names, logos, symbols and other distinctive elements may be protected through trademarks, thereby providing legal protection against unauthorised use.

b. Advantages for Customers

i. **Identification of Products:** Brand names and symbols help customers recognise and distinguish products when making purchase decisions.

ii. **Reduction of Perceived Risk:** A familiar and trusted brand can reduce uncertainty regarding expected quality, performance and service, particularly when the customer has limited information about competing alternatives.

iii. **Quality Expectation:** Brands can act as signals of expected quality and consistency. However, branding cannot substitute for actual product quality; repeated failure to meet expectations can damage the brand.

iv. **Convenience in Decision-Making:** Familiar brands reduce the time and effort required to evaluate alternatives, particularly for frequently purchased products.

v. **Psychological and Social Benefits:** Some brands provide emotional, symbolic or social benefits. Consumers may use certain brands to express their personality, lifestyle, social identity or status.

A strong brand therefore creates value beyond the physical characteristics of the product. It influences recognition, perceptions, preferences, purchase decisions and post-purchase experiences.

2.1.11.6 Brand Loyalty

Brand loyalty refers to the tendency of customers to repeatedly purchase and prefer a particular brand over competing alternatives. It develops when customers consistently receive satisfactory or superior value from the brand and develop favourable attitudes and trust towards it.

Brand loyalty is strategically important because loyal customers may be more likely to repurchase, recommend the brand to others and resist competing offers. Strong loyalty can also reduce the organisation's dependence on constant price-based competition.

However, brand loyalty should not be assumed merely from repeated purchase. A customer may repeatedly purchase a brand because of convenience, availability or lack of alternatives. Genuine loyalty involves a degree of preference, attachment or commitment towards the brand.

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In the digital environment, brand loyalty is also influenced by online reviews, social media interactions, customer communities, personalised communication and the overall customer experience across digital and physical touchpoints.

Case Study:

GreenSip – Developing a New Product

GreenSip Foods, a small Indian food and beverage company, noticed that many young consumers were becoming more interested in beverages with lower sugar content and convenient packaging. The company conducted informal discussions with consumers and examined market trends before deciding to explore the possibility of introducing a ready-to-drink herbal beverage.

Several product ideas were initially considered, including a low-sugar herbal drink, a fruit-and-herb combination and a functional beverage containing selected natural ingredients. The management screened the ideas based on customer interest, production feasibility, expected cost, competition and regulatory considerations. The low-sugar herbal drink was selected for further development.

The company then developed different product concepts and obtained feedback from potential consumers. Based on the responses, the formulation, flavour and package size were modified. A prototype was subsequently developed and tested. The company also considered the brand name, packaging design, pricing, distribution channels and promotional approach.

GreenSip initially planned to introduce the product in a limited geographical market rather than launch it nationally. The company wanted to observe consumer response, repeat purchase, price acceptance and the effectiveness of its promotional communication before investing in large-scale production.

The management also recognised that a successful launch would not guarantee long-term success. Competitors could introduce similar beverages, consumer preferences could change and new regulations or technologies could affect the market. Therefore, the company planned to monitor sales and customer feedback continuously and modify the product or marketing strategy when necessary.

Questions

1. Identify and explain the major stages of New Product Development followed by GreenSip
2. Explain how packaging and branding could influence the acceptance of the new beverage
3. At which stage of the Product Life Cycle would GreenSip be immediately after its commercial launch? Suggest two appropriate marketing actions for that stage
4. If GreenSip later introduces several new flavours under the same brand, would this be product-line extension, product diversification or brand extension? Justify your answer

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Summarised Overview

A product is a bundle of tangible and intangible benefits offered to satisfy customer needs and wants. It may take the form of a physical good, service or a combination of both, with attributes such as quality, design, packaging, branding, warranty and after-sales service contributing to the overall customer value. Products can be classified according to user status, durability and tangibility, while organisations manage related offerings through product lines. Product line dimensions such as product item, length, width and depth help in understanding the structure and variety of an organisation's product offerings. Product line decisions, including stretching, filling and pruning, enable organisations to adjust their offerings in response to customer needs, market opportunities and competitive conditions. Product diversification provides opportunities for growth by expanding into new product-market areas, while also helping organisations manage dependence on existing products and markets

Products also undergo changes in their market performance over time, which can be understood through the Product Life Cycle comprising introduction, growth, maturity and decline. Understanding these stages assists marketers in adapting product, pricing, promotion and distribution decisions. New Product Development provides a systematic process for converting ideas into commercially viable offerings through activities such as idea generation, screening, concept development and testing, business analysis, product development, test marketing and commercialisation. The success of a new product can be affected by factors such as inadequate market research, inappropriate pricing, weak promotion, poor distribution, packaging or branding problems, unfavourable environmental conditions and poor timing. Packaging contributes to protection, preservation, convenience, information, promotion and differentiation, while branding helps create recognition, meaning, identity and distinctive associations. Brand identity, brand image, brand positioning, brand equity, brand extension, line extension and brand loyalty are therefore important considerations in creating and sustaining customer value and competitive advantage.

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Self-Assessment Questions

1. What is meant by a product in marketing? Explain its major features with suitable examples
2. Distinguish between consumer goods and industrial goods, giving suitable examples of each

3. Explain the classification of consumer goods into convenience goods, shopping goods and specialty goods

4. Differentiate between product line length, product line width and product line depth with suitable examples

5. Explain downward stretching, upward stretching, two-way stretching, line filling and line pruning as product line decisions

6. What is product diversification? Distinguish between concentric diversification and conglomerate diversification

7. Explain the four stages of the Product Life Cycle and identify the major marketing characteristics of each stage

8. Describe the major stages involved in the New Product Development process

9. Explain the major functions and levels of packaging and discuss how packaging contributes to product value

10. Distinguish between brand identity, brand image and brand positioning. Explain the significance of brand equity and brand loyalty



Assignments

1. Explain the concept of a product as a bundle of tangible and intangible benefits and analyse how its features influence customer value, using suitable examples

2. Analyse the dimensions of a product line and evaluate how product line stretching, line filling and line pruning can help an organisation respond to changing market conditions

3. A company is experiencing declining sales of one of its established products while facing increasing competition from newer alternatives. Analyse the product's likely position in the Product Life Cycle and recommend appropriate marketing decisions

4. Examine the New Product Development process and analyse how inadequate market research, inappropriate pricing, weak promotion, poor distribution and poor timing can contribute to the failure of a new product

5. Analyse how packaging and branding can be used to differentiate a product and create customer value, with particular reference to brand identity, brand image, brand positioning, brand equity and brand loyalty

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Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

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Unit 2

Price

Learning Outcomes

After completing this unit, learner will be able to:

- ◊ explain the meaning, importance and role of price and pricing in the marketing mix
- ◊ describe the major objectives and steps involved in making pricing decisions
- ◊ analyse the major internal and external factors influencing pricing decisions
- ◊ explain and distinguish the major pricing methods, including cost-based, demand-based and competition-based pricing
- ◊ compare and evaluate different pricing strategies, including psychological, promotional, premium, price skimming and penetration pricing

Background

Price is one of the most important elements of the marketing mix because it represents the monetary value exchanged by the customer for the benefits obtained from a product or service. Unlike the other elements of the marketing mix, price directly generates revenue for the organisation and has a significant influence on sales volume, profitability, market share and competitive position. At the same time, customers do not evaluate price in isolation; they generally consider it in relation to the benefits, quality, service, brand image and overall value they expect from an offering.

Pricing is therefore more than simply fixing an amount for a product or service. It is a continuous managerial process involving the determination of pricing objectives, assessment of customer demand and perceived value, estimation of

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costs, analysis of competitors and selection of an appropriate pricing method. The final price must balance what customers are willing to pay with the return expected by the organisation.

Several internal and external factors influence pricing decisions. Organisational objectives and policies, product costs, product characteristics, product life cycle, marketing mix decisions and product positioning are important internal considerations. Customer demand, competition, market structure, distribution channels, economic conditions and government regulations constitute important external considerations. Since these factors can change over time, organisations may need to review and modify their prices and pricing strategies.

Different pricing methods and strategies can be adopted according to the objectives and circumstances of the organisation. Cost-based pricing focuses primarily on costs and desired margins, while demand- or buyer-based pricing considers customer demand and perceived value. Competition-based pricing uses prevailing competitive prices as an important reference point. Organisations may also use psychological, promotional and premium pricing, as well as price skimming and penetration pricing for new products. Understanding these approaches enables marketers to make pricing decisions that support customer value, competitive effectiveness and the long-term financial sustainability of the organisation.



Keywords

Price, Pricing, Customer Value, Pricing Decisions, Pricing Objectives, Demand, Competition, Pricing Methods, Pricing Strategies, Product Life Cycle



Discussion

2.2.1 Concept of Pricing

Price can be referred to as the amount of money that is exchanged for a product or service between the seller and the buyer. In simple terms, it is the sum of values that the customer exchanges for the benefits of possessing or using the product or service. Thus, price represents the monetary consideration associated with an exchange between the buyer and the seller.

From the customer's perspective, price represents the monetary sacrifice made to obtain the benefits offered by a product or service. From the organisation's perspective,

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price is an important source of revenue and has a direct influence on sales volume, revenue and profitability. Therefore, price should not be viewed merely as an amount printed on a price tag; it also communicates the value and positioning of an offering in the market.

Pricing is the marketing function of determining the value of a product or service in monetary terms before it is offered for sale in the market. It involves determining an appropriate price by considering the value perceived by customers, the cost of providing the product or service, the prevailing competitive conditions and the objectives of the organisation. The key to pricing is therefore understanding the value that customers perceive in a product or service and determining a price that is acceptable to the target market while also enabling the organisation to achieve its objectives.

According to Prof. K. C. Kite, "pricing is a managerial task that involves establishing pricing objectives, identifying the factors governing the price, ascertaining their relevance and significance, determining the product value in monetary terms and formulation of price policies and the strategies, implementing them and controlling them for the best results".

The above definition indicates that pricing is not merely a one-time activity of fixing a price. It is a managerial process involving the establishment of pricing objectives, analysis of factors influencing price, selection of appropriate pricing policies and strategies, determination of the price and subsequent review and control. Pricing decisions may therefore need to be revised when there are changes in demand, costs, competition, government regulations, consumer preferences or other market conditions.

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2.2.1.1 Price and Pricing

Although the terms *price* and *pricing* are closely related, they have different meanings. Price is the monetary consideration or value exchanged by the buyer for obtaining a product or service, whereas pricing is the managerial process through which an organisation determines and manages that price.

For example, the price of a particular product may be ₹500. The decision to fix the price at ₹500 after considering customer demand, perceived value, costs, competitors' prices and the organisation's objectives is part of the pricing process.

Pricing therefore involves both determining the initial price and reviewing or adjusting the price when market conditions change. This makes pricing a continuing managerial activity rather than simply a numerical decision.

2.2.1.2 Customer Value and Price

The price of a product should be considered in relation to the value perceived by the customer. Customers do not evaluate price in isolation; they generally compare the price with the benefits they expect to receive from the product or service. These benefits may be both tangible and intangible.

Tangible benefits may include product quality, features, performance, durability and quantity, whereas intangible benefits may include brand image, convenience, service, experience, status and reliability. Consequently, two products with similar physical characteristics may command different prices if customers perceive differences in their overall value.

A price that is considered too high in relation to perceived benefits may discourage purchase, while a price that is unnecessarily low may reduce profitability and may sometimes create doubts about the quality or positioning of the offering. Thus, effective pricing seeks to establish an appropriate relationship between customer-perceived value and the price charged.

2.2.1.3 Importance and Role of Pricing

As you are aware, pricing is one of the four primary elements of the marketing mix. It is the only 'P' of the marketing mix that directly generates revenue, while the other elements—product, promotion and place—generally involve expenditure by the organisation. Consequently, pricing has a direct relationship with the revenue and profitability of the firm.

Pricing is also one of the more flexible elements of the marketing mix because prices can generally be changed more quickly than decisions relating to product design, distribution systems or promotional programmes. Price adjustments may be made in response to changes in demand, competition, costs, seasonal conditions or other market circumstances. However, a price change can also influence customer perceptions, sales volume, competitive reactions and profitability. Therefore, pricing decisions need to be taken carefully.

The importance of pricing can be understood through the following aspects:

i. **Revenue Generation:** Price directly determines the revenue obtained from the sale of products and services. Changes in price, together with changes in sales volume, can therefore have a significant effect on total revenue.

ii. **Profitability:** The relationship between price, sales volume and costs directly influences the profitability of an organisation. A suitable price should enable the organisation to recover its relevant costs and earn an appropriate return.

iii. **Regulation of Demand:** Price can be used to influence the level of demand. A reduction in price may encourage additional purchases under suitable market conditions, whereas an increase in price may reduce demand, particularly where customers are price-sensitive.

iv. **Competitive Positioning:** Price provides an important basis for competition. Organisations need to consider competitors' prices, offers and likely responses while determining their own prices.

v. **Market Positioning:** Price can communicate the intended positioning of a product. A relatively high price may support a positioning based on quality,

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exclusivity or prestige, whereas a relatively low price may be used to appeal to price-sensitive segments or to support market penetration.

vi. **Return on Investment:** Pricing influences the organisation's ability to recover its investment and earn the desired return. Thus, pricing decisions are closely connected with the financial objectives of the organisation.

vii. **Coordination of the Marketing Mix:** Pricing decisions cannot be taken in isolation. They must be coordinated with product quality and features, branding, packaging, distribution and promotional decisions. A change in one element of the marketing mix may require corresponding changes in the pricing decision.

There are various products and services exchanged between producers and consumers every day. The price associated with these offerings may vary according to the nature of the product, customer demand, perceived value, cost conditions, competitive situation and other market factors. Hence, pricing is an important managerial function that connects the value offered to customers with the revenue and returns generated by the organisation.

The subsequent pricing decisions therefore require a systematic analysis of the organisation's objectives, customer demand, costs, competition, marketing mix and the broader market environment.

2.2.2 Pricing Decisions

Pricing is not merely the act of fixing a monetary value for a product or service. It is a managerial decision that requires careful consideration of the objectives of the organisation, customer demand, product costs, competition and other market conditions. A pricing decision determines the amount that customers are expected to pay and, at the same time, influences the sales volume, market share, revenue and profitability of the organisation.

A firm may need to take a pricing decision when introducing a new product, entering a new market, introducing an existing product into a new geographical area or distribution channel, responding to changes in competition, or reviewing the price of an existing product. Therefore, pricing decisions are continuous and may need to be revised as market conditions change.

The pricing decision should be consistent with the overall marketing objectives and positioning of the organisation. For example, a firm seeking to establish a premium image may adopt a relatively high price, whereas a firm seeking rapid market penetration may initially offer a lower price. Thus, the price selected should support the value offered to customers as well as the broader objectives of the organisation.

2.2.2.1 Meaning of Pricing Decisions

Pricing decisions refer to the managerial decisions involved in determining the price to be charged for a product or service. These decisions involve determining the pricing

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objective, assessing customer demand and perceived value, estimating costs, studying competitors and selecting an appropriate pricing method before arriving at the final price.

A pricing decision should strike a balance between the value perceived by customers and the return expected by the organisation. The customer generally considers price along with product quality, brand, service and other benefits while evaluating an offering. Therefore, the price cannot be determined independently of the overall market offering.

Pricing decisions are important because price directly affects the revenue generated from the sale of a product and the contribution towards the organisation's profit. At the same time, an excessively high price may reduce demand, while an excessively low price may adversely affect profitability or the perceived value of the product. Hence, an appropriate pricing decision requires a systematic assessment of both internal and external conditions.

2.2.2.2 Objectives of Pricing Decisions

The objectives of pricing decisions differ according to the nature of the organisation, its marketing objectives, competitive position and the stage of the product in its life cycle. The major objectives of pricing decisions include the following:

i. **Profitability:** An organisation may fix its price with the objective of achieving a desired level of profit or return on investment. The price should provide adequate contribution towards covering costs and generating a reasonable return.

ii. **Sales Growth:** A firm may use pricing to increase the volume of sales. A relatively attractive price can encourage customers to purchase more of the product and can help the organisation expand its sales.

iii. **Market Share:** Pricing may be used to increase or maintain the firm's share of the market. A firm seeking rapid market expansion may adopt a competitive or penetration-oriented price to attract customers and increase its customer base.

iv. **Survival:** Under conditions of intense competition, declining demand or excess capacity, an organisation may give priority to survival. In such circumstances, the firm may set a price that helps it continue operations while covering its essential costs.

v. **Price Stability:** Some organisations may seek to maintain relatively stable prices rather than frequently changing them. Price stability can help the firm maintain customer confidence and avoid unnecessary price competition.

vi. **Product Quality and Market Positioning:** Price can be used to communicate the quality and positioning of a product. A higher price may support a premium or quality-oriented positioning, provided that customers perceive sufficient value in the offering.

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vii. **Market Penetration and Competitive Objectives:** An organisation may use pricing to enter a new market, attract customers from competitors or discourage potential competitors from entering the market. Such objectives are particularly relevant when the organisation is seeking rapid market acceptance.

The objectives selected should be consistent with the organisation's overall marketing and corporate objectives. Indian ODL materials similarly identify profitability, sales, market share, survival, price stability, market penetration and positioning-related objectives as important considerations in pricing.

2.2.2.3 Steps in Pricing Decisions

Pricing decisions involve a sequence of activities rather than a single decision. A systematic pricing process helps the organisation arrive at a price that is acceptable to customers and commercially viable for the firm. The major steps are as follows:

i. Selecting the Pricing Objective

The first step is to determine what the organisation intends to achieve through its pricing decision. The objective may be profit maximisation, a target return, sales growth, market-share expansion, survival, market penetration, price stability or a desired product-positioning objective.

A clear pricing objective provides direction for the subsequent stages of the pricing decision. For example, if the objective is rapid market penetration, the organisation may consider a relatively low introductory price. If the objective is to establish a premium position, a higher price may be appropriate.

ii. Assessing Demand and Customer Value

The next step is to estimate the demand for the product at different possible price levels. Demand indicates the quantity that customers are willing and able to purchase at different prices during a specified period.

The organisation should also understand how customers perceive the value of the product and how sensitive they are to changes in price. Factors such as income, availability of substitutes, product differentiation, urgency of purchase and perceived benefits can influence price sensitivity.

Thus, demand and perceived customer value help the organisation understand the upper limit of the price that customers may be willing to accept. Indian ODL material on price setting similarly treats demand measurement as a separate step and emphasises the relationship between alternative prices and resulting demand.

iii. Estimating Product Costs

The organisation must estimate the costs associated with producing, distributing and selling the product. These may include fixed costs, variable costs, distribution costs, promotion costs, administrative expenses and other relevant costs.

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While customer demand generally places an upper limit or ceiling on price, costs provide a floor below which the organisation may not be able to operate profitably over the long term. Therefore, an understanding of the cost structure is essential before fixing the price.

iv. Analysing Competitors

The organisation should study the prices charged by competitors as well as the quality, features, services and other benefits offered by competing products. Competitors' prices provide an important reference point for determining whether the proposed price is appropriate.

If the firm's product offers greater benefits or superior quality, it may be possible to charge a higher price. If the product is similar to competing products, the organisation may need to maintain a price close to the prevailing market level. The organisation should also consider the possible reaction of competitors to its pricing decision.

v. Selecting a Pricing Method

After analysing demand, costs and competition, the organisation selects an appropriate pricing method. The major pricing methods include cost-based pricing, buyer- or demand-based pricing and competition-based pricing.

The choice of method depends on the objectives of the organisation, nature of the product, customer value perception, cost structure, competitive conditions and market characteristics.

vi. Selecting the Final Price

The final price is selected after considering the information obtained from the preceding steps. The organisation may need to consider factors such as the desired profit margin, product positioning, discounts and allowances, distribution margins, psychological aspects of pricing and applicable government regulations.

The final price should also be evaluated from the perspective of different stakeholders. For example, the organisation should consider whether distributors and retailers will accept the price and margins, whether the sales force can effectively sell the product at the proposed price, how customers may respond, and whether competitors are likely to react.

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Fig. 2.2.1 Pricing Decision Process

2.2.3 Major Factors Influencing Pricing

The major factors influencing pricing are both internal and external to the organisation. Internal factors are generally within the control of the firm, whereas external factors arise from the market and business environment and are largely outside the direct control of the firm. The major factors influencing pricing are as follows:

2.2.3.1 Pricing Objectives and Company Policies

Product pricing is usually tailored around the company's objectives and policies. Before fixing the price, a company needs to determine what it wants to achieve through

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its pricing decision. The objectives may include profit maximisation, sales growth, market share, survival, maintaining price stability, recovering investment or establishing a particular position in the market.

For instance, if a company desires to project itself as a producer of high-quality goods for quality-conscious, high-income consumers, it would generally charge higher prices for its products. In case it wants to project itself as a producer of a product for the masses, it may price its products relatively low. If the company only wants to be one of many players in the market and does not want to influence the market, it may keep the product price close to the level accepted by the majority of customers and make adjustments in product quality, size and other features.

Some companies might follow a different policy of taking advantage of customer psychology to sell their products. In these cases, companies may fix prices at a level that makes the products appear cheaper than they actually are, such as pricing a product at ₹199.99 instead of ₹200. Such practices are generally referred to as psychological pricing.

Companies may also offer different versions of the same product and use different prices to serve different customer segments. A lower-priced version may attract price-sensitive customers, while a higher-priced version may be designed for customers seeking additional features or superior quality. Thus, the pricing policy of a company must be consistent with its overall objectives, target market and desired market position.

2.2.3.2 Product Costs

As the level of demand sets the 'ceiling' of price, the costs set the 'floor' price. That is, a product's price must enable the company to cover its costs and leave some margin as a fair return for the effort put in and the risk taken by the company.

The costs should include the cost of manufacture and the costs incurred in distribution, promotion and administration. These may include both fixed costs and variable costs. Thus, the marketer must be aware of the fixed costs, variable costs and average costs of the products before engaging in determining the price.

Cost considerations become particularly important when the firm operates with narrow profit margins or faces significant fluctuations in the cost of raw materials, labour, transportation or other inputs. A price that does not adequately cover relevant costs may affect the long-term viability of the product or business.

2.2.3.3 Customer Demand and Perceived Value

The price represents the value of the product as perceived by a customer. Thus, the correct understanding of the value perceived by customers for the product is the key to pricing. This value is governed by both tangible and intangible factors of a product.

Customers differ in their willingness to pay. Some people prefer a product with a low price, while others may be willing to pay a higher price for better quality, convenience, service, brand reputation or other benefits. Some customers prefer to bargain, some

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purchase mainly during special sales, while others may purchase from supermarkets, departmental stores, duty-free shops or shops in specific areas.

This is why pricing must be based on a sound analysis of consumer behaviour. Demand is influenced by several market and consumer factors that are not fully under the marketer's control. Therefore, a marketer must be aware of the absolute level of demand and the sensitivity of demand to price changes. The level of demand helps determine the 'ceiling' of the price that customers may be willing to pay.

The marketer should also consider the extent to which demand changes when price changes. If a small change in price results in a substantial change in demand, the marketer needs to exercise greater care while fixing or changing the price.

2.2.3.4 Competition

Though costs set the 'floor' and demand sets the 'ceiling', competition provides an important reference point for pricing a company's product. The price charged by competitors, the number of competitors, the availability of substitute products and the competitive position of the company all influence pricing decisions.

Under perfect competition, there are several buyers and sellers dealing in relatively uniform commodities. Individual sellers have limited control over price because buyers can easily shift to other sellers. In monopolistic competition, sellers offer differentiated products or services. Therefore, products may be sold over a range of prices because buyers do not consider all competing products to be perfect substitutes.

In an oligopolistic market, a few sellers are highly sensitive to each other's pricing and marketing strategies. Therefore, marketers have to be very careful when changing the price of a product, since any price change may invite retaliatory action from competitors. In a pure monopoly, there is only one seller. Although the seller theoretically has considerable control over price, consumer resistance, government regulations, substitutes and the possibility of attracting competitors may restrict the extent to which the price can be increased.

Therefore, a company must continuously monitor competitors' prices, offers, discounts, product quality and other marketing activities before making important pricing decisions.

2.2.3.5 Product Characteristics and Product Life Cycle

The characteristics of the product also influence its price. Products differ in terms of quality, design, features, durability, brand image, technology, packaging, services and other attributes. A product offering superior features or strong brand value may command a higher price than competing products.

The stage of the product life cycle also has an influence on pricing. A new product may initially be priced high to recover development costs and earn returns from customers willing to pay more, or it may be introduced at a low price to attract customers and build market share. As the product moves through the growth, maturity and decline stages,

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changes in competition, demand and customer preferences may require corresponding changes in pricing.

Thus, pricing decisions should take into account not only the present characteristics of the product but also its position in the product life cycle.

2.2.3.6 Marketing Mix and Product Positioning

Price is one of the elements of the marketing mix. Price is also influenced by and influences the other elements of the marketing mix, such as product, place and promotion. Therefore, decisions regarding pricing cannot be taken in isolation.

For instance, suppose the customer segment targeted by the company is a quality-conscious, well-to-do segment that also expects good after-sales service. In that case, the costs incurred to meet the customer requirements can be recovered only by pricing the product appropriately high. Similarly, a personalised product such as perfume, soap or a garment, which requires heavy promotion, may need to be priced appropriately to recover the additional marketing costs.

Having an intensive distribution channel and wide distribution also involves additional costs, and the product price must take these costs into consideration. On the other hand, a mass-consumed product of low technology may support relatively lower costs and therefore a different pricing approach.

Thus, the price of the product is very much dependent on its quality, brand, package, service, distribution and promotion. At the same time, the price itself contributes to the positioning of the product. A high price may support a premium positioning, whereas a lower price may be consistent with a mass-market positioning.

2.2.3.7 Nature of the Market and Distribution Channels

The nature of the market in which a company operates influences the degree of freedom available to the firm in fixing prices. The number and size of buyers and sellers, the availability of substitutes, the degree of product differentiation and the bargaining power of buyers and sellers all affect pricing.

Distribution channels also influence pricing. When products pass through wholesalers, distributors, retailers and other intermediaries, each channel member may require a margin for performing its functions. The length and nature of the distribution channel, therefore, affect the final price paid by the consumer.

A company using a wide distribution network may incur higher distribution and channel-related costs than a company selling directly to consumers. Consequently, the pricing decision must take into account the channel structure and the margins required by channel members.

2.2.3.8 Economic Conditions

General economic conditions influence both the costs faced by firms and the purchasing power of consumers. Inflation, recession, changes in income levels, interest

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rates and changes in the prices of raw materials and other inputs can affect pricing decisions.

During periods of inflation, the costs of production, transportation and other business activities may increase, requiring firms to review their prices. During an economic slowdown, consumers may become more price-sensitive and firms may need to reconsider their pricing and promotional policies.

Therefore, marketers need to consider the prevailing economic conditions while fixing prices and should be prepared to revise prices when significant economic changes occur.

2.2.3.9 Government Regulations and Legal Considerations

Since price is a sensitive issue in any market, governments often regulate pricing practices to protect consumers, maintain fair competition and prevent the misuse of market power. Governments may prescribe price floors, price ceilings or other restrictions for certain products and services.

In India, packaged commodities generally carry the Maximum Retail Price (MRP), along with other information required under applicable regulations. Laws relating to competition, consumer protection, taxation and other areas may also influence pricing decisions.

Government regulations are external environmental factors over which individual companies have limited control. Therefore, companies must ensure that their pricing practices comply with applicable laws and regulations while developing their pricing strategies.

2.2.4 Pricing Methods and Strategies

From the previous topic, you might have already concluded that government regulations and various other factors play an important role in price determination. Pricing must be integrated with other marketing mix elements. Similarly, the company cannot follow a pricing policy that conflicts with its overall policy and the corporate image it wants to project.

Therefore, companies set prices based on several considerations such as the cost of the product, the value of the product as perceived by the buyer, the level of demand and the prices charged by competitors. Based on the major consideration used in determining price, the commonly practised pricing methods can be broadly classified into:

1. Cost-based pricing
2. Demand or buyer-based pricing
3. Competition-based pricing

In addition to these methods, firms may adopt specific pricing strategies such as psychological pricing, promotional pricing, premium pricing, price skimming and

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penetration pricing depending on their objectives, market conditions and the stage of the product life cycle.

2.2.4.1 Cost-Based Pricing

In these methods of pricing, the price of a product is set based on the cost of the product and a certain profit margin. Cost-based pricing is relatively simple because the cost of the product can be calculated by the organisation. It is commonly used where costs can be estimated with reasonable accuracy and the firm wants to ensure recovery of its costs.

The following are the important methods of cost-based pricing.

a. Cost-plus Pricing

In this method of pricing, an aggregate of the relevant costs of the product is calculated and a standard mark-up for profit is added to arrive at the selling price. The costs may include the costs of producing, distributing, promoting, branding, packaging and servicing the product.

For example, if the total cost of producing and marketing a product is ₹800 per unit and the company adds a mark-up of 25%, the selling price would be ₹1,000 per unit.

Cost-plus pricing is simple to understand and implement and helps the company ensure that the price covers the relevant costs and provides a predetermined margin. However, if the company focuses only on its costs and ignores customer demand and competitors' prices, the resulting price may not be suitable for the market.

b. Mark-up Pricing

Mark-up pricing is closely related to cost-plus pricing and is commonly used by wholesalers, retailers and other intermediaries. Under this method, a predetermined percentage or amount is added to the cost of the product to arrive at the selling price.

For example, a retailer purchasing a product for ₹500 may add a 20% mark-up and sell it for ₹600.

The mark-up may differ across products depending on the level of competition, turnover, risk, perishability and the services provided by the seller.

c. Break-even Analysis or Target-Profit Pricing

In this method of cost-based pricing, companies that want to ensure a certain return on their investment first decide on the profit they want to earn and then determine the price.

To arrive at the price, a break-even analysis model can be used. The break-even point is the level of sales at which total revenue equals total cost. At this point, the company neither earns profit nor suffers a loss. Sales above the break-even point can generate profit, while sales below the break-even level may result in a loss.

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Break-even analysis is a useful financial and pricing tool because it helps the company understand the relationship between price, sales volume, costs and profit. Target-profit pricing extends this approach by determining the price required to achieve a specified level of profit or return on investment.

2.2.4.2 Demand or Buyer-Based Pricing

These methods of pricing are founded on the principle that a product should not be priced only on the basis of the seller's cost or the competitor's actions, but also on the basis of customer demand and the value perceived by the buyer.

The following are the important methods of pricing based on demand and buyer perception.

a. Perceived Value Pricing

As product price represents the value perception of the consumer, it is often better to understand and build a perceived value in the buyers' minds about the product and then match this perceived value through pricing.

For instance, the same or similar product may be priced differently at different restaurants because buyers assign different values to the product based on the location, ambience, service, brand image and overall experience.

This strategy works effectively when the company can correctly assess the value perception of buyers for different offers. Overpricing may discourage purchases, while underpricing may result in the company failing to capture the value that customers are willing to pay for.

b. Differential Pricing

This method is based on the fact that the intensity of demand for a single product may differ from person to person, place to place, time to time and product version to product version. Therefore, companies may charge different prices for the same or similar product under different circumstances.

For instance, in a cinema hall, drama hall or music concert, tickets may be priced according to different classes of seats. Similarly, the same product may be priced differently depending on the place of sale, such as a regular retail shop, an airport outlet or a premium location.

Differential pricing is also commonly seen in transport, hospitality, entertainment and other service industries, where prices may vary according to time, customer category, location or demand conditions.

2.2.4.3 Competition-Based Pricing

In this pricing strategy, competition provides the reference point for pricing. The company considers the prices charged by competitors for the same or similar products while determining its own price.

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Competition-based pricing is particularly relevant when customers can easily compare competing products and when the products offered by different sellers are similar.

There are two important methods under competition-based pricing.

a. Going-Rate Pricing

In this method, the company sets the product price largely on the basis of competitors' prices for the same or similar products, without giving primary importance to its own costs or the consumer's value perception.

The basis for pricing in this strategy is the going rate in the market. However, it does not mean that the price charged by a company will always be exactly the same as that of its competitors. The company might charge the same as the competitor's price, or more or less than the competitor's price, depending on the market conditions, product quality, brand image and other factors.

The important aspect of this strategy is that the company gives greater importance to the prevailing market price. It may change its price when the general market price changes.

The logic behind this strategy is that demand elasticity or consumer reaction to small price differences may not always be easy to measure. It can also help firms avoid unnecessary price competition or price wars. This pricing strategy is particularly common among sellers of frequently purchased and relatively homogeneous products.

b. Sealed-Bid Pricing

In this method, the buyer provides the technical description of the product or service required and invites bids from sellers. Each seller submits a sealed bid containing the price and other terms of sale. The buyer then evaluates the bids and selects a suitable supplier based on price, technical specifications and other conditions.

In this pricing strategy, when a company bids for contracts, it usually quotes a price based partly on its assessment of the prices that competitors are likely to quote for the same contract.

The seller faces a dilemma while preparing the bid. The quoted price should be competitive enough to win the contract, but it should also cover the relevant costs and provide an acceptable profit margin. Sealed-bid pricing is commonly found in government procurement, construction, infrastructure projects and institutional purchasing.

2.2.4.4 Other Pricing Methods and Strategies

Apart from cost-based, demand-based and competition-based methods, companies may use specific pricing strategies to influence customer perceptions, encourage purchases or position their products in the market.

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Psychological Pricing

Psychological pricing is based on the assumption that consumers do not always evaluate prices purely in economic terms. Prices may be fixed in a manner that creates a particular psychological impression.

For example, a product may be priced at ₹199 instead of ₹200. Although the difference is only ₹1, the price may be perceived by some consumers as being significantly lower. Psychological pricing is frequently used in retail markets.

Promotional Pricing

Promotional pricing involves temporarily reducing the price of a product or offering special price incentives to encourage purchases. Discounts, seasonal offers, introductory offers, coupons and limited-period price reductions are common examples.

The main purpose may be to increase sales, attract new customers, clear excess inventory, encourage trial or respond to competitive pressure. However, excessive dependence on price promotions may affect the perceived value of the brand and may make customers wait for discounts before purchasing.

Premium Pricing

Premium pricing involves charging a relatively high price for a product because of its superior quality, distinctive features, strong brand image, exclusivity or additional customer value.

Premium pricing is commonly associated with luxury products, specialised services and strong brands. The higher price must be supported by corresponding customer value; otherwise, customers may shift to competing alternatives.

2.2.4.5 Pricing Strategies for New Products

The pricing strategies keep changing as a product goes through its product life cycle. The strategies that are applicable during the introductory stage are generally referred to as new product pricing strategies.

These are among the most challenging pricing decisions because the company may have limited information about customer response, demand and competitive reactions. Two widely used approaches for new products are price skimming and penetration pricing.

a. Price Skimming

Under this strategy, the price for a new product is set relatively high during the introductory phase. After the introductory stage, the company may gradually lower the price over time.

This is mostly done when the product is distinctive, innovative or technologically advanced and there are customers who are willing to pay a premium for being among the first users. The technique enables companies to obtain higher margins from early adopters and recover part of the investment in product development at an early stage.

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As competitors enter the market and the product becomes more widely available, the company may reduce the price to attract more price-sensitive customers.

For instance, the price of a newly launched flagship smartphone may initially be very high, but the price may decline over time as newer models are introduced and competition increases.

Price skimming is generally more suitable when:

- ◊ the product has distinctive features or strong differentiation;
- ◊ customers are willing to pay a premium;
- ◊ competition is initially limited;
- ◊ the product has a strong brand or technological advantage; and
- ◊ the firm wants to recover development or launch costs relatively quickly.

b. Penetration Pricing

In this strategy, the focus is on gaining market share and establishing the product in the market. Therefore, the product price is set relatively low during the introductory stage so that the product can attract a large number of buyers.

The strategy may be suitable when demand is price-sensitive, the market is large and the company expects significant sales volume. As awareness and acceptance of the product increase, the company may subsequently revise the price depending on market conditions.

Penetration pricing is often used when the company wants to enter a highly competitive market or discourage potential competitors from entering by establishing a strong market position.

For instance, Reliance Jio used a very low introductory pricing approach to rapidly acquire customers in the Indian telecommunications market. After establishing a substantial customer base, the company subsequently introduced charges for its services.

Penetration pricing may be suitable when:

- ◊ the market is large;
- ◊ demand is relatively price-sensitive;
- ◊ the company aims to gain market share quickly;
- ◊ economies of scale can be achieved through higher sales volume; and
- ◊ strong competition or potential entry of competitors is expected.

2.2.4.6 Price Skimming and Penetration Pricing: A Comparison

The choice between price skimming and penetration pricing depends on the nature of the product, customer demand, competition and the objectives of the company.

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Table 2.2.1 Price Skimming and Penetration Pricing: A Comparison

Basis	Price Skimming	Penetration Pricing
Initial price	Relatively high	Relatively low
Main objective	Recover investment and earn higher margins initially	Gain market share rapidly
Target customers	Early adopters and less price-sensitive customers	Larger and more price-sensitive market
Competition	More suitable when initial competition is limited	More suitable in highly competitive markets
Sales volume	Relatively lower initially	Relatively higher initially
Product positioning	Premium or differentiated	Mass-market
Price movement	Usually reduced over time	May be increased later depending on market conditions

2.2.4.7 Selecting an Appropriate Pricing Method and Strategy

There is no single pricing method that is suitable for all products and markets. The choice of a pricing method or strategy depends on the company's pricing objectives, product costs, customer demand, perceived value, competition, product life cycle, market conditions and government regulations.

A company may also combine different approaches. For example, it may use cost considerations to determine a minimum acceptable price, customer perceived value to understand the upper limit that customers may be willing to pay, and competitor prices as a reference point before fixing the final price.

Therefore, pricing should be treated as a continuous managerial decision rather than as a one-time activity. Markets are dynamic and costs, demand, competition and customer expectations keep changing. Companies need to regularly review their pricing strategies so that their products or services remain competitive while maintaining adequate profit margins and delivering value to customers.

Pricing is one of the key elements of the marketing mix, making it crucial to get it right. However, there is no permanent pricing strategy. The markets are fluid and keep changing continuously; this also implies that the cost of production, customer demand and competitive conditions may fluctuate. This indicates that companies need to constantly observe their pricing strategies so that their products or services remain competitive and financially sustainable in the long run.

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Case Study:

Reliance Jio and Penetration Pricing

When Reliance Jio entered the Indian telecommunications market in September 2016, it adopted an unusually aggressive introductory pricing approach. Under its Welcome Offer, Jio provided free voice calls, messaging and data for a limited period and subsequently extended the promotional period. The strategy was designed to attract a large number of customers rapidly and establish Jio as a major player in a highly competitive market. Jio's entry significantly changed the pricing structure of the Indian telecom industry, compelling established operators such as Airtel, Vodafone and Idea to respond to the new competitive pressure.

Jio's pricing approach was supported by substantial investment in a nationwide 4G network and a data-focused service model. Instead of competing primarily through traditional voice services, Jio sought to make affordable high-speed data a major part of its value proposition. The company's introductory pricing helped it acquire customers on a very large scale; contemporary case material records that Jio crossed 100 million subscribers within a short period after its launch.

The case illustrates how pricing decisions can be linked to wider organisational objectives. Jio's relatively low introductory prices were not simply intended to generate immediate revenue. They were closely connected with the objective of gaining market share, attracting customers, changing consumption patterns and establishing a strong position in the Indian telecom market. At the same time, the strategy created challenges for competitors and contributed to intense price competition within the industry. Thus, the Jio experience demonstrates that pricing can function not only as a means of generating revenue but also as an important instrument for market entry, competitive positioning and customer acquisition.

Questions for Reflection

1. What were the major pricing objectives behind Reliance Jio's introductory pricing strategy?
2. Which internal and external factors influenced Jio's pricing decision?
3. Why can Jio's introductory pricing approach be considered an example of penetration pricing?
4. How did Jio's pricing strategy affect the competitive behaviour of existing telecom operators in India?

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Summarised Overview

Price is the monetary value exchanged by a buyer for obtaining a product or service, while pricing refers to the managerial process of determining and managing that price. Pricing is an important element of the marketing mix because it directly generates revenue and influences sales volume, profitability, market share, competitive position and product positioning. Effective pricing requires an appropriate balance between the value perceived by customers and the return expected by the organisation.

Pricing decisions involve a systematic process. The organisation first selects its pricing objective, followed by an assessment of demand and customer value, estimation of product costs, analysis of competitors, selection of an appropriate pricing method and determination of the final price.

The major pricing methods can be classified into cost-based pricing, demand or buyer-based pricing and competition-based pricing. Cost-based pricing includes cost-plus pricing, mark-up pricing and break-even or target-profit pricing. Demand or buyer-based pricing includes perceived value pricing and differential pricing. Competition-based pricing includes going-rate pricing and sealed-bid pricing. Organisations may also use psychological, promotional and premium pricing according to their objectives and market conditions.

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Self-Assessment Questions

1. Explain the meaning of price and pricing and discuss the importance and role of pricing in the marketing mix.
2. Explain the major objectives of pricing decisions and describe the steps involved in determining the final price of a product.
3. Explain the major pricing methods and distinguish between cost-based, demand or buyer-based and competition-based pricing.
4. Analyse cost-plus pricing, mark-up pricing and break-even or target-profit pricing as methods of cost-based pricing.
5. Explain perceived value pricing, differential pricing, going-rate pricing and sealed-bid pricing, highlighting the situations in which each may be appropriate.

6. Analyse the role of psychological pricing, promotional pricing and premium pricing in influencing customer response and product positioning.

7. Compare price skimming and penetration pricing with reference to their objectives, initial price, target customers, competitive conditions and expected sales volume.

8. "There is no single pricing method or strategy suitable for all products and markets." Discuss this statement by analysing the factors that an organisation should consider when selecting an appropriate pricing method and strategy.



Assignments

1. Explain the meaning and importance of pricing and discuss the major objectives that an organisation may pursue through its pricing decisions.

2. Describe the major steps involved in making a pricing decision, from selecting the pricing objective to determining the final price.

3. Explain the major pricing methods and strategies, with suitable examples, covering cost-based, demand or buyer-based and competition-based pricing.

4. Compare price skimming and penetration pricing and discuss the circumstances under which an organisation may choose each strategy for a new product.



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Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

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Place and Promotion

Unit 1

Place (Distribution)

Learning Outcomes

After completing this unit, learner will be able to:

- ◊ explain the role and importance of distribution in delivering customer value and achieving marketing objectives
- ◊ identify and differentiate various marketing channel structures and explain the functions performed by channel members
- ◊ analyse factors influencing channel design and apply appropriate approaches to channel management, including coordination, motivation and conflict management
- ◊ distinguish between retailing and wholesaling and examine the major types of retailing and their roles in the distribution system
- ◊ evaluate distribution and retailing decisions in different market situations and recommend suitable channel strategies based on customer needs, market coverage, cost and organisational objectives

Background

Getting a product to the customer is as important as creating, pricing and promoting it. Distribution, or Place, determines how products and services reach target customers and how easily customers can access them. An effective distribution system can create customer value by providing convenience, availability and timely access while also helping organisations achieve wider market coverage and distribution efficiency.

Understanding distribution requires an examination of marketing channels and the role of intermediaries involved in connecting producers with customers. The choice of channel structure influences market reach, costs, customer service and the degree of control an organisation can maintain over its distribution activities.

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Contemporary approaches such as multichannel and omnichannel distribution have further expanded the ways in which organisations reach their customers.

Effective distribution also depends on channel management. Organisations must make appropriate decisions regarding channel design and selection, channel members, coordination, motivation, conflict management and channel performance. The distribution system further involves retailers and wholesalers, whose roles and activities help make products accessible to consumers and business users. Different forms of retailing have emerged in response to changes in technology, competition and consumer buying behaviour.

Overall, the discussion provides an understanding of distribution as a strategic value-delivery process, where organisations must balance customer needs, market coverage, channel relationships, control, cost and efficiency to develop an effective route to the market.



Keywords

Distribution, Marketing Channels, Channel Management, Intermediaries, Channel Levels, Multichannel Marketing, Omnichannel Marketing, Retailing, Wholesaling, Channel Conflict



Discussion

3.1.1 Introduction

Marketing does not end with the creation of a product, determination of its price, or communication of its benefits to customers. A product must also be made available to the target customer at the right place and at the right time, in the right quantity and condition. This is the role of Place, also known as Distribution, in the marketing mix.

Place is one of the four traditional elements of the marketing mix - Product, Price, Place and Promotion. It is concerned with the decisions and activities involved in making products and services accessible to customers. Distribution therefore connects the producer with the market.

A manufacturer may produce an excellent product at a competitive price, but if customers cannot conveniently obtain it, the marketing effort is unlikely to succeed. For example, a packaged food brand may have strong product quality and attractive pricing, but inadequate availability in retail outlets can restrict its sales. Similarly, an

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online business must ensure that customers can easily access its digital storefront and receive their orders efficiently.

Thus, distribution is not merely a physical movement of goods. It involves a broader set of decisions concerning channels, intermediaries, market coverage, locations, inventory, transportation, warehousing, order fulfilment and customer accessibility.

3.1.2 Meaning of Distribution

Distribution refers to the set of activities through which products or services are made available to customers for use or consumption.

In simple terms:

Distribution is the process of making the right product available to the right customer, at the right place, at the right time and in the right condition.

The concept has two closely related dimensions:

1. Distribution channels : the organisations and routes through which a product or service reaches the customer.
2. Physical distribution and logistics : the activities involved in physically moving and storing products, such as transportation, warehousing and inventory management.

Modern distribution also includes digital access and fulfilment. For example, an e-commerce company may not have a traditional retail outlet, but its website or mobile application provides the customer with access to the product, while warehouses and delivery networks ensure fulfilment.

3.1.3 Importance of Distribution



Distribution has strategic importance because it determines the accessibility and availability of an offering. Effective distribution can create customer value and provide a competitive advantage.

1. Customer Convenience

Customers generally prefer products that are easy to locate and purchase. Distribution can create convenience by making products available at locations and through channels preferred by customers.

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For example, the availability of everyday consumer goods through nearby retail stores reduces the time and effort required for customers to purchase them.

2. Wider Market Reach

Distribution enables firms to reach customers beyond their immediate geographical area. Intermediaries such as wholesalers, distributors and retailers can provide access to markets that would otherwise be expensive for manufacturers to serve directly.

3. Time and Place Utility

Distribution creates place utility by making products available where customers want them and time utility by making them available when they are required.

For example, umbrellas are more valuable to customers when they are available during the rainy season and at locations where people need them.

4. Reduction of Transaction Complexity

Intermediaries can reduce the number of transactions required between numerous producers and customers. Instead of every producer dealing separately with every customer, intermediaries can connect multiple producers with multiple buyers.

5. Availability and Market Presence

For many consumer products, availability itself influences purchase decisions. A customer may select an alternative brand simply because the preferred brand is unavailable.

Consequently, distribution coverage can directly influence sales and market share.

6. Creation of Competitive Advantage



A firm may differentiate itself through superior distribution. Faster delivery, better availability, convenient locations, reliable fulfilment and multiple purchasing options can provide advantages that competitors may find difficult to imitate.

Amazon's competitive proposition, for instance, is not based solely on the products it sells. Its value proposition is also strongly associated with availability, convenience, fulfilment and delivery.

3.1.4 Role of Distribution in Marketing

Distribution performs several important functions in the process of delivering value to customers.

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First, it connects producers with customers. Producers may not always have the resources, expertise or geographical reach required to serve all customers directly. Distribution systems enable different organisations to perform specialised activities and collectively bring products to the market.

Second, distribution can reduce the complexity of transactions. Instead of every producer having to establish individual relationships with every customer, intermediaries can bring together products from different producers and make them available to customers. This improves the efficiency of the exchange process.

Third, distribution involves activities that facilitate the movement and availability of products. These may include buying and selling, transportation, storage, inventory management, order fulfilment and the sharing of market information.

Fourth, distribution helps organisations match supply with customer demand. Producers may manufacture products in large quantities and at locations that are convenient for production, whereas customers generally purchase smaller quantities at locations convenient to them. Distribution systems help bridge this gap.

Thus, distribution performs an important value-delivery function within marketing.



Fig. 3.1.1 Role of Distribution in Marketing

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Industry Perspective: Amul – Managing a Large and Complex Distribution Network

The distribution system of Amul, operated by the Gujarat Co-operative Milk Marketing Federation (GCMMF), provides a useful illustration of how distribution connects a large and geographically dispersed producer base with consumers across India. GCMMF's cooperative structure brings together milk producers through village-level societies and member unions, while its marketing network makes Amul products available through distributors and retail outlets across the country.



The scale and nature of the system require coordination of several distribution activities, including collection, transportation, processing, storage, inventory management and delivery. Milk is a highly perishable product, making timely movement through the system particularly important. At the same time, production is dispersed among numerous producers, whereas consumption is spread across a large number of markets.

The Amul model therefore demonstrates that distribution is not simply the movement of a product from a manufacturer to a customer. It involves coordinating different organisations and activities to bridge the gaps between producers and consumers and to ensure that products are available when and where customers require them.

Management Insight: Distribution creates value by coordinating specialised activities and channel participants to efficiently connect producers with the target market.

3.1.5 Distribution and Customer Value

The ultimate purpose of marketing is to create, communicate and deliver value to customers. Distribution plays a significant role in the delivery of customer value by ensuring that products and services are available to customers in a manner that is convenient, timely and reliable. A product may possess superior features and be competitively priced, but its value to the customer is limited if it is difficult to obtain.

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Customer value is not determined solely by the physical characteristics of a product or its monetary price. Customers also consider the time, effort, convenience and other non-monetary costs involved in obtaining and using the product. Distribution can increase customer value by reducing these costs and improving accessibility.

1. Convenience and Accessibility

One of the most important ways in which distribution creates customer value is by providing convenient access to products and services. Customers generally prefer to purchase products from locations and through channels that minimise their time and effort.

For example, a consumer may prefer to purchase groceries from a nearby supermarket rather than travel a considerable distance to the manufacturer's premises. Similarly, online ordering and home delivery provide convenience by allowing customers to purchase products without physically visiting a shop.

Thus, distribution creates value by bringing products closer to the customer, either physically or digitally.

2. Time Value

Distribution also creates value by making products available when customers need them. This is particularly important for products for which demand is seasonal, urgent or time-sensitive.

For example, a retailer that maintains adequate stocks of school supplies before the beginning of an academic year provides greater value to customers than a retailer that frequently runs out of stock. Similarly, rapid delivery is an important source of value in e-commerce because customers often consider the time taken to receive a product when making a purchase decision.

Therefore, effective distribution provides time utility by reducing the waiting period between the customer's purchase decision and the availability of the product.

3. Place Value

Distribution creates place utility by making products available at locations where customers want to purchase or consume them.

A convenience store located in a residential area provides greater accessibility for nearby consumers than a store located far away. In the case of services, location can be even more important. Banks, hospitals, educational institutions and restaurants often select locations based on the accessibility and convenience they can provide to their target customers.

Place utility is therefore an important component of the value delivered through distribution.

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4. Reduction of Customer Effort

An effective distribution system reduces the physical and mental effort required to obtain a product. Customers may otherwise have to search for the product, travel to different locations, compare alternatives or wait for delivery.

For example, an online marketplace that allows customers to search, compare, order and receive products through a single platform reduces the effort associated with purchasing. Similarly, a well-organised retail outlet makes products easier to locate and purchase.

Thus, distribution contributes to value by reducing the search, purchasing and delivery effort experienced by customers.

5. Product Availability and Reliability

Customers expect products to be available when they intend to purchase them. Consistent availability is therefore an important dimension of customer value.

A stock-out may cause inconvenience and may also result in the customer purchasing a competing brand. For frequently purchased products, repeated stock-outs can weaken customer loyalty and damage the firm's market position.

Consequently, distribution systems must maintain an appropriate balance between product availability and inventory cost. Maintaining excessive inventory increases costs, whereas insufficient inventory can result in lost sales and dissatisfied customers.

6. Speed and Reliability of Delivery

In many markets, customers evaluate distribution not only on the basis of whether a product is delivered, but also on how quickly and reliably it is delivered.

This has become particularly important with the growth of e-commerce. Customers increasingly expect accurate delivery information, timely fulfilment and reliable service. A firm that consistently fulfils orders on time can create greater customer value than a competitor offering a similar product but less reliable delivery.

Therefore, delivery speed and reliability can become important elements of a firm's competitive advantage.

3.1.5.1 Choice of Purchasing Channels

Modern customers may prefer different methods of purchasing. Some customers may prefer physical stores because they want to examine products before purchasing, whereas others may prefer online shopping because of convenience and wider choice.

Providing customers with multiple purchasing options can therefore increase perceived value. Organisations may use a combination of:

- ◊ physical retail outlets,
- ◊ company websites,

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- ◊ mobile applications,
- ◊ online marketplaces, and
- ◊ direct delivery.

The challenge for the organisation is to ensure that these different channels provide a consistent and convenient customer experience.

3.1.5.2 Balancing Customer Value and Distribution Cost

Although better distribution can increase customer value, providing a higher level of distribution service usually involves additional costs. Faster delivery, greater product availability, more retail locations and higher inventory levels can all increase operating expenses.

Marketing managers must therefore determine the appropriate level of distribution service for their target customers.

For example, customers purchasing an inexpensive everyday product may not be willing to pay significantly more for same-day delivery. In contrast, customers purchasing an urgent or high-value product may place considerable importance on speed and reliability.

The objective is therefore to achieve an appropriate balance between:

Customer Service → Customer Value → Distribution Cost → Profitability

A distribution system is effective when it delivers the level of convenience and service expected by the target market while maintaining economic efficiency.

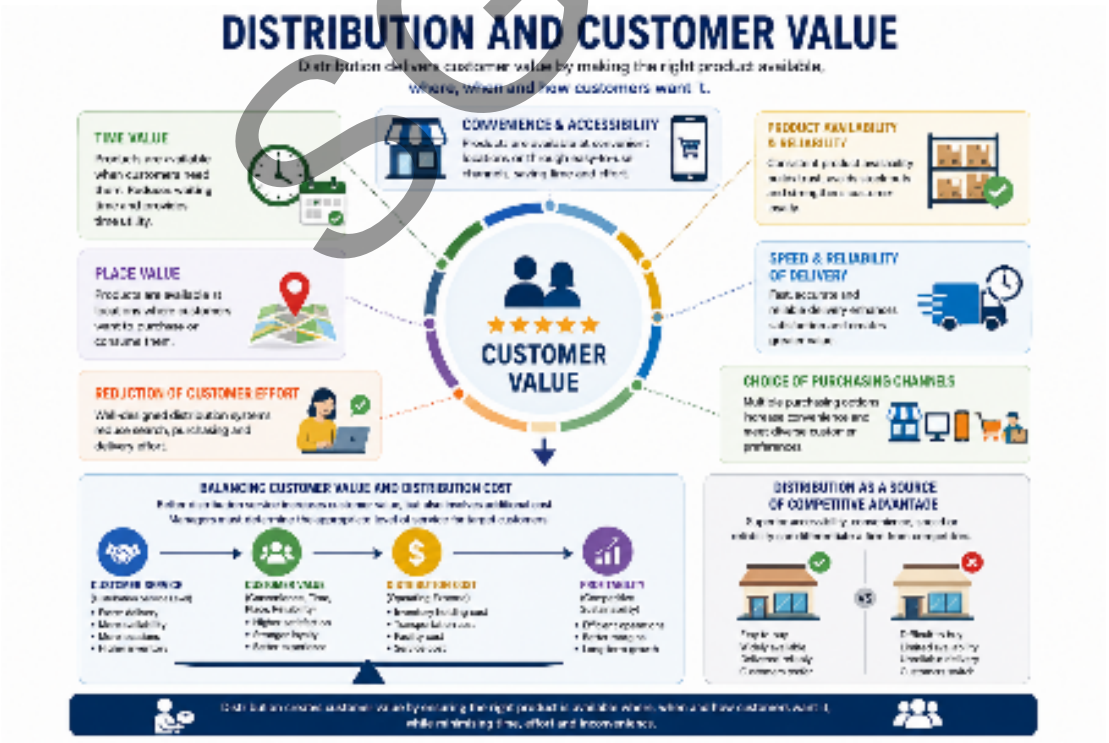


Fig. 3.1.2 Distribution and Customer Value

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3.1.6 Strategic Importance of Distribution

Distribution is an important strategic marketing decision because it influences how effectively a firm can deliver its value proposition to the target market.

Distribution decisions should be consistent with the organisation's:

- ◊ target market,
- ◊ marketing objectives,
- ◊ product characteristics,
- ◊ positioning strategy, and
- ◊ overall marketing strategy.

For instance, a premium brand may prefer limited and carefully selected outlets in order to maintain exclusivity and control the customer experience. In contrast, a product intended for frequent and widespread consumption may require extensive market availability.

Distribution decisions can also have long-term implications. Once an organisation establishes relationships with distributors, retailers or other channel partners, changing the distribution system may involve considerable cost and organisational effort. Therefore, distribution decisions require careful strategic consideration.

The growth of e-commerce, digital platforms and direct-to-consumer models has further expanded the strategic importance of Place. Organisations can now combine physical and digital methods of distribution to provide customers with multiple ways of accessing their offerings. Contemporary marketing therefore views distribution as an important part of delivering customer value, rather than merely as a post-production activity.

In this sense, the fundamental managerial question is not simply *how to distribute a product*, but how to design a distribution system that delivers the desired customer value efficiently and supports the organisation's competitive strategy.

3.1.7 Channel

3.1.7.1 Meaning and Concept of Marketing Channel

A marketing channel, also known as a distribution channel, is a set of interdependent organisations involved in making a product or service available for use or consumption by the final consumer or business user.

A manufacturer does not always sell directly to the final customer. In many cases, other organisations such as distributors, wholesalers, retailers and agents participate in the process of moving the product from the producer to the market. These organisations together form the marketing channel.

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A simple distribution route can be represented as:

Manufacturer → Wholesaler → Retailer → Consumer



However, the channel need not always contain intermediaries. A manufacturer may sell directly to customers through its own retail outlets, website, sales force or other direct methods:

Manufacturer → Consumer

The choice between direct and indirect channels depends on factors such as the nature of the product, characteristics of the target market, geographical coverage, customer preferences, costs and the organisation's marketing strategy.

Marketing channels should be viewed as value-delivery networks rather than merely as routes through which products are physically transferred. Channel members perform activities that make products more accessible and convenient for customers and facilitate the exchange between producers and buyers.

3.1.7.2 Need for Marketing Channels

The use of marketing channels arises from the differences between producers and consumers in terms of location, quantity, timing and purchasing requirements.

Producers often manufacture products in large quantities and at locations that are suitable for production. Consumers, on the other hand, usually purchase products in smaller quantities and at locations convenient to them.

For example, a manufacturer may produce thousands of units of a product at one factory, whereas individual consumers may purchase only one or two units at a time. Marketing channels help bridge this gap.

Intermediaries can also provide specialised knowledge, market access, storage facilities, transportation, selling expertise and customer contact. As a result, producers can concentrate on their core activities while channel members perform functions for which they may possess greater expertise or economies of scale.

Thus, the fundamental purpose of a marketing channel is to make the exchange process more efficient and to deliver value to the target market.

3.1.7.3 Functions of Marketing Channels

Marketing channels perform a number of functions that facilitate the movement of products and services from producers to final customers. These functions help to bridge the gaps between producers and consumers in terms of quantity, location, time, information and ownership.

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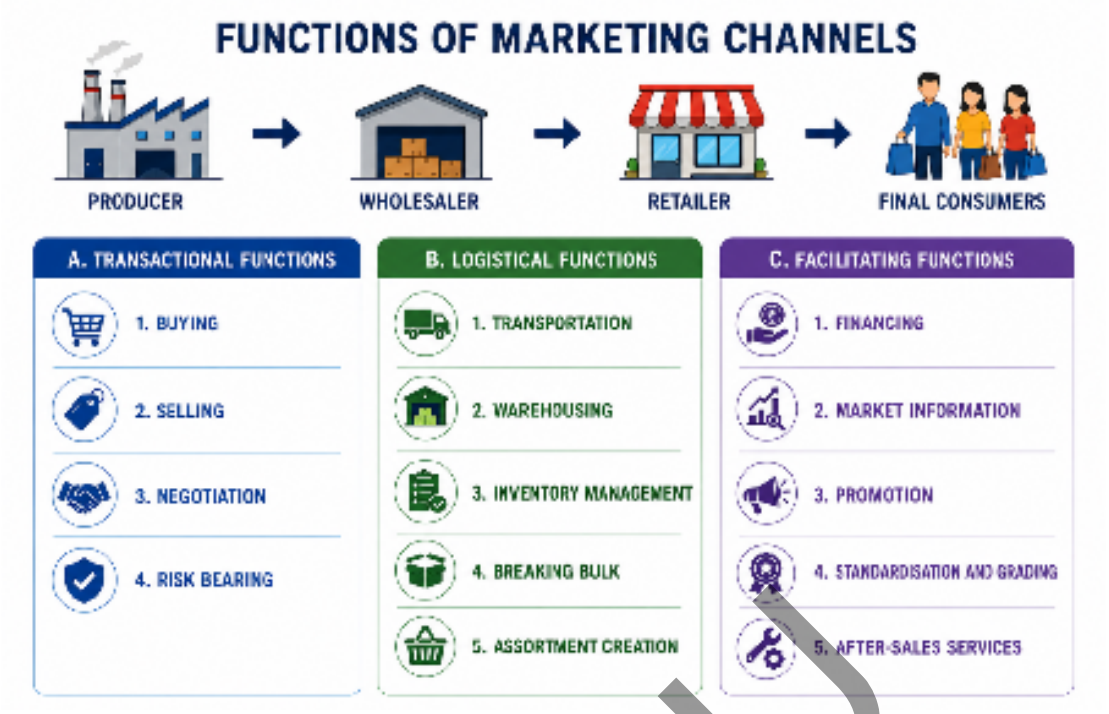


Fig. 3.1.3 Functions of Marketing Channel

The functions of marketing channels can be broadly classified into transactional, logistical and facilitating functions.

A. Transactional Functions

Transactional functions are concerned with the buying, selling and transfer of ownership associated with the exchange process.

1. **Buying:** Channel members purchase products from manufacturers or other suppliers, often in quantities that are economically appropriate for their operations. Wholesalers, distributors and retailers may purchase products in bulk and subsequently make them available in smaller quantities to their respective customers.

2. **Selling:** Intermediaries sell products to the next participant in the channel or to final customers. Retailers, for example, bring products together in a convenient location and sell them to individual consumers.

3. **Negotiation:** Channel members negotiate terms relating to price, quantity, delivery, payment and other conditions of exchange. Negotiation helps to establish mutually acceptable terms between buyers and sellers.

4. **Risk Bearing:** Channel members assume various risks associated with distribution. An intermediary that purchases and holds inventory, for example, faces the possibility of unsold stock, damage, deterioration, changes in customer preferences and fluctuations in market demand. By accepting such risks, intermediaries enable manufacturers to concentrate on production and other core activities.

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B. Logistical Functions

Logistical functions are concerned with the physical movement, handling and storage of products as they move through the channel.

1. **Transportation:** Products often need to be moved from production facilities to warehouses, distributors, retailers and ultimately customers. Channel members may arrange transportation and select appropriate modes of transport according to factors such as cost, distance, product characteristics and delivery requirements.

2. **Warehousing:** Products are not always produced at the same location or at the same time that they are demanded. Warehousing allows products to be stored until they are required. It therefore helps to maintain continuous availability and manage fluctuations in supply and demand.

3. **Inventory Management:** Channel members maintain stocks of products to meet customer demand. Effective inventory management attempts to avoid both stock-outs, which can result in lost sales, and excessive inventory, which increases storage and capital costs.

4. **Breaking Bulk:** Manufacturers often produce goods in large quantities, while customers generally purchase smaller quantities. Intermediaries help to break large quantities into smaller lots that are more suitable for retailers and final consumers.

   For example, a manufacturer may supply a wholesaler with 1,000 units, while the wholesaler may supply retailers with smaller quantities according to their individual requirements.

5. **Assortment Creation:** Intermediaries may bring together products from different manufacturers and create an assortment that is more convenient for customers. A supermarket, for example, provides products from numerous manufacturers in one location, allowing customers to meet several needs through a single shopping trip.

   These logistical activities create time, place and possession utility, making products more accessible and convenient to customers.

C. Facilitating Functions

Facilitating functions support the buying and selling process and improve the efficiency of the channel.

1. **Financing:** Channel members may provide credit to other channel participants or customers. For example, a wholesaler may provide credit to retailers, allowing them to purchase inventory and pay at a later date. Such arrangements can facilitate transactions and improve the flow of products through the channel.

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2. **Market Information:** Intermediaries are often in direct contact with customers and therefore possess valuable information about market conditions. Retailers and distributors can provide manufacturers with information about customer preferences, demand patterns, competitor activities, pricing and emerging market trends.

   This information helps manufacturers make better decisions regarding product development, pricing, promotion and distribution.

3. **Promotion:** Channel members may participate in promotional activities designed to stimulate demand. Retailers may display products prominently, offer sales promotions or communicate product information to customers. Manufacturers may also provide promotional support and materials to channel partners.

4. **Standardisation and Grading:** Intermediaries may sort, classify, inspect and grade products according to established standards. This is particularly relevant for agricultural commodities and other products where quality and size may vary.

5. **After-Sales Services:** In many industries, channel members provide services after the sale, such as installation, maintenance, repairs, demonstrations and customer support. These services can enhance customer satisfaction and strengthen the overall value delivered through the channel.

3.1.8 Types of Channels

Marketing channels can be classified according to the presence and number of intermediaries involved in moving a product or service from the producer to the final buyer. The basic distinction is between direct and indirect marketing channels. Indirect channels can then be classified according to the number of intermediary levels involved. The nature of the channel also differs between consumer and business markets.

1. Direct Marketing Channel

A direct marketing channel is one in which the producer sells directly to the final customer without using an intermediary. This is also referred to as a zero-level channel, because there are no intermediary levels between the producer and the final buyer.

Direct channels may take several forms, including company-owned stores, direct sales forces, direct selling, mail-order selling and online selling through the producer's own website or digital platform.

Direct distribution gives the producer greater control over the selling process and direct access to customers. It can also provide valuable information about customer behaviour and preferences. However, the producer must undertake distribution activities that might otherwise be performed by intermediaries.

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2. Indirect Marketing Channel

An indirect marketing channel involves one or more intermediaries between the producer and the final customer. The intermediaries may include retailers, wholesalers, distributors, agents or brokers.

The basic structure is:

Producer → Intermediary/Intermediaries → Consumer

Indirect channels enable producers to make use of the market coverage, specialist knowledge, selling capabilities and distribution infrastructure of other organisations. The length of an indirect channel is determined by the number of intermediary levels involved.

Channel length refers to the number of intermediary levels between the producer and the final customer. Based on channel length, marketing channels may be classified as zero-level, one-level, two-level and three-level channels.

3. One-Level Channel

A one-level channel contains one intermediary level between the producer and the final consumer, generally a retailer.

Producer → Retailer → Consumer

The retailer purchases products from the producer and sells them to final consumers. This type of channel is common when manufacturers want to reach consumers through organised retail networks without dealing directly with individual consumers.

4. Two-Level Channel

A two-level channel contains two intermediary levels, typically a wholesaler and a retailer.

Producer → Wholesaler → Retailer → Consumer

The wholesaler purchases products in larger quantities from the producer and supplies them to retailers. The retailer then sells the products to final consumers.

This structure is particularly useful when products need to reach a large number of geographically dispersed retail outlets. The wholesaler helps consolidate products, maintain inventory and distribute them to retailers.

5. Three-Level Channel

A three-level channel involves three intermediary levels.

Producer → Agent → Wholesaler → Retailer → Consumer

An agent or broker may facilitate the transaction between the producer and wholesaler, while the wholesaler supplies retailers who ultimately sell to consumers.

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Longer channels can provide extensive market coverage, but they may also involve greater complexity and give the producer less direct control over the distribution process. Kotler and Armstrong note that, from the producer's perspective, increasing channel levels generally means greater complexity and less control.

6. Marketing Channels for Business Products

The channel structure for business-to-business (B2B) products differs from that of consumer products because the final buyers are organisations rather than individual consumers. Business buyers are often fewer in number, purchase larger quantities and may require technical assistance or direct interaction with the producer.

Common business marketing channels include:

Producer → Business Customer

Producer → Business Distributor → Business Customer

Producer → Agent/Broker → Business Customer

Producer → Producer's Sales Branch/Representative → Business Distributor → Business Customer

Direct channels are particularly relevant for complex, expensive or highly customised products where the producer needs close contact with the business customer. Indirect channels may be preferred when distributors or other intermediaries can provide wider market coverage or specialised services.

7. Multichannel Marketing System

A multichannel marketing system exists when a company uses two or more marketing channels simultaneously to reach its customers.

For example, a manufacturer may sell through:

Company Website + Retail Stores + Online Marketplaces

The use of multiple channels can increase market reach and provide customers with different purchasing options. However, it also creates managerial challenges, particularly concerning pricing, inventory allocation, customer relationships and possible conflict between channels.

Multichannel distribution is increasingly common because customers may use different channels at different stages of the buying process.

Example: Nike's Multichannel Distribution

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Nike reaches customers through multiple channels, including its own Nike stores, Nike's online platforms and independent retail partners. Customers can therefore purchase Nike products directly from the company or through other retail organisations.

This illustrates a multichannel marketing system, as Nike uses more than one channel simultaneously to reach the market. Each channel provides a different route to the customer while contributing to Nike's overall market coverage.

8. Omnichannel Marketing System

An omnichannel marketing system goes beyond simply using multiple channels. It seeks to integrate different channels to provide customers with a seamless and consistent experience.

For example, a customer may search for a product through a company's website, purchase it through a mobile application, collect it from a physical store and return it through another channel.

Thus:

Multichannel = Multiple channels

Omnichannel = Multiple, integrated channels

The distinction is important because omnichannel distribution focuses on integration across channels and the overall customer experience, rather than simply increasing the number of channels used.

9. Conventional and Vertical Marketing Systems

A further classification concerns the relationship among channel members rather than the number of intermediary levels.

In a conventional marketing channel, each channel member operates as an independent business and seeks to maximise its own interests.

In a vertical marketing system (VMS), producers, wholesalers and retailers operate in a more coordinated manner as a unified system. Coordination may arise through common ownership, contractual arrangements or the influence of a powerful channel member. Such systems seek to improve coordination and reduce channel conflict.

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3.1.9 Channel Management

Channel management refers to the process of planning, organising, coordinating and evaluating the activities of the organisations involved in a marketing channel. Since channel members such as manufacturers, distributors, wholesalers and retailers are usually independent organisations, their activities need to be coordinated to ensure that the channel operates effectively.

The primary purpose of channel management is to ensure that the distribution system delivers the desired level of customer value at an acceptable cost. Effective channel management helps an organisation achieve adequate market coverage, maintain product availability, improve customer service and build productive relationships with channel members.

Channel management is particularly important because the objectives of different channel members may not always be identical. A manufacturer may seek wider market coverage and higher sales, while a retailer may be more concerned with margins, inventory turnover and store profitability. Effective channel management attempts to align these interests sufficiently to achieve the overall objectives of the channel.

3.1.9.1 Major Decisions in Channel Management

Channel management involves several interconnected decisions concerning the design and operation of the distribution system.

1. Channel Design and Selection

The organisation must determine the appropriate channel structure based on factors such as target customers, product characteristics, market coverage, cost and the desired degree of control. The decision may involve choosing between direct and indirect channels or combining several channels.

2. Selection of Channel Members

Once the channel structure is determined, suitable distributors, wholesalers, retailers or other intermediaries must be selected. Factors such as financial strength, market coverage, reputation, sales capability, infrastructure, product knowledge and willingness to cooperate may be considered.

3. Motivation of Channel Members

Channel members are independent businesses and therefore need appropriate incentives to perform their roles effectively. Manufacturers may provide financial incentives, discounts, promotional support, training, technical assistance and market information to encourage channel members to achieve agreed objectives.

Effective motivation should not depend entirely on financial rewards. Long-term cooperation is more likely when channel members perceive that the relationship provides mutual benefits.

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4. Channel Coordination

Channel members must coordinate activities such as sales forecasting, inventory management, pricing, promotion, delivery and customer service. Better coordination reduces duplication, improves product availability and helps the channel respond more effectively to changes in customer demand.

Industry Perspective: Nike and Amazon – Rethinking Channel Strategy

Nike's experience with Amazon illustrates how a company may enter, withdraw from and later re-evaluate a distribution channel as its strategic priorities change. In 2017, Nike entered into a pilot arrangement with Amazon to sell a limited range of products directly through the platform. The initiative formed part of Nike's broader strategy of strengthening its direct relationship with consumers while also using selected digital and partner channels.

In 2019, Nike decided to end its direct retail arrangement with Amazon and place greater emphasis on its own digital platforms and selected retail partnerships. The decision reflected Nike's preference for greater control over its consumer relationships and brand experience.



The decision, however, was not permanent. In 2025, Nike returned to Amazon, with Amazon announcing a Nike storefront on Amazon.com offering a range of footwear, apparel and accessories. The change reflected Nike's broader effort to expand consumer access and regain market reach through a combination of direct and wholesale channels.

Nike's experience demonstrates that channel decisions are dynamic rather than permanent. A company may prefer direct channels when control over customer relationships and brand presentation is particularly important, but may reconsider that decision when wider market access and customer reach become strategic priorities.

Management Insight: Effective channel management requires organisations to continuously balance market reach, channel control, customer relationships and strategic objectives. A channel that may not fit the company's strategy at one stage may become valuable again as market conditions and strategic priorities change.

3.1.9.2 Channel Conflict and Evaluation

Because channel members have different objectives and interests, disagreements may arise within the channel. Channel conflict occurs when one channel member perceives that another member is acting in a way that prevents or threatens the achievement of its objectives.

Conflict may occur at different levels. Vertical conflict occurs between different levels of the channel, such as a manufacturer and retailer. Horizontal conflict occurs between channel members operating at the same level, such as two retailers. Multichannel conflict may arise when a manufacturer uses different channels that compete with each other, such as selling directly through its own website while also supplying independent retailers.

Channel conflict can result from differences in pricing, sales targets, market territories, margins, promotional policies or the allocation of customers. Some disagreement can be constructive if it encourages channel members to identify problems and improve performance. However, persistent or dysfunctional conflict can reduce cooperation and damage channel performance. Managers therefore need to establish clear roles, maintain communication and develop mutually acceptable policies to manage conflict.

Channel performance must also be regularly monitored and evaluated. Measures such as sales performance, market coverage, inventory turnover, order fulfilment, delivery performance, customer service and profitability can be used to assess channel members. Evaluation enables the organisation to identify underperforming members and take corrective action.

Thus, channel management is an ongoing process. Organisations must continually adapt their channel structures and relationships as customer preferences, technology, competition and market conditions change.

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3.1.10 Retailing and Wholesaling

3.1.10.1 Meaning of Retailing



Retailing refers to all activities involved in selling goods or services directly to final consumers for their personal, family or household use. A retailer is therefore the channel member that generally has the most direct contact with the final consumer.

Retailing may take place through physical stores, online platforms, mobile applications, direct selling and other non-store formats. The essential characteristic of retailing is not the method

of sale but the fact that the product or service is sold to the final consumer for personal consumption.

Retailers perform an important role in the distribution system by making products available in convenient locations and quantities. They also provide services such as product information, assortment, merchandising, customer assistance and, increasingly, delivery and digital purchasing facilities.

Retailing therefore serves as an important interface between the marketing organisation and the final consumer.

3.1.10.2 Meaning and Nature of Wholesaling

Wholesaling refers to all activities involved in selling goods or services to those who purchase them for resale or business use rather than for personal consumption.

Wholesalers generally purchase products in relatively large quantities from manufacturers and sell them to retailers, business users or other organisations. They normally do not focus primarily on selling to final consumers.

Wholesalers are particularly important when manufacturers need to reach a large number of retailers or business customers. Instead of serving numerous small customers individually, a manufacturer can work with wholesalers who consolidate products, maintain inventory and distribute them across markets.

Wholesaling therefore helps bridge the gap between large-scale production and dispersed retail or business demand.

3.1.10.3 Relationship between Retailing and Wholesaling

Retailers and wholesalers perform different but complementary roles within the distribution system.

A typical channel may be represented as:

Manufacturer → Wholesaler → Retailer → Consumer

The wholesaler primarily facilitates the movement and distribution of products between manufacturers and retailers or business customers, while the retailer makes products available directly to final consumers.

Wholesalers generally focus on bulk handling, storage, distribution and supplying business customers, whereas retailers focus more strongly on consumer access, assortment, convenience and the final selling process.

However, the distinction between the two is becoming less rigid. Changes in technology, e-commerce and supply-chain practices have enabled manufacturers, wholesalers and retailers to perform functions traditionally associated with one another. Some manufacturers sell directly to consumers, while some retailers increasingly purchase directly from manufacturers or operate their own distribution facilities.

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3.1.11 Types of Retailing

Retailing can be classified on the basis of the type of retail outlet, method of selling and organisational structure. Traditionally, retailing has been dominated by physical stores, but technological developments have led to the growth of non-store and digitally integrated retail formats. The major types of retailing are discussed below.

A. Store-Based Retailing

Store-based retailing involves selling products and services through physical retail outlets where customers visit to make purchases. Different store formats vary in terms of product assortment, pricing, location, service level and target customers.

1. Specialty Stores

Specialty stores concentrate on a narrow product category but generally offer considerable depth and variety within that category. Examples include stores specialising in sports goods, footwear, jewellery, furniture or consumer electronics.

Specialty retailers compete through product expertise, specialised assortment and customer service. They are particularly suitable for customers seeking specific products or expert assistance.

2. Department Stores

Department stores offer a wide range of product categories, with products organised into separate departments. Clothing, cosmetics, household goods and accessories may be sold within the same store.

Their broad assortment and relatively high level of customer service distinguish them from more specialised retail formats.

3. Supermarkets

Supermarkets are large self-service retail outlets primarily offering food, groceries and household products. They generally provide a wide assortment and compete through convenience, competitive pricing and efficient operations.

4. Convenience Stores

Convenience stores are relatively small outlets located in convenient and easily accessible locations, often near residential areas, transport points or busy streets. They primarily offer frequently purchased products and emphasise location, accessibility and time-saving convenience.

5. Superstores and Hypermarkets

Superstores are larger than conventional supermarkets and offer a broader range of products. Hypermarkets combine the characteristics of supermarkets and general merchandise stores, offering both food and non-food products on a large scale.

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These formats generally compete through extensive product assortment, large-scale operations and competitive pricing.

6. Discount Stores

Discount stores offer products at relatively low prices and generally operate with a focus on cost efficiency and high sales volume. They may use simplified store layouts, limited services and efficient inventory and purchasing systems to maintain lower operating costs.

B. Non-Store Retailing

Non-store retailing involves selling products or services without requiring customers to visit a conventional physical retail outlet. It has become increasingly important with developments in communication and digital technology.

1. Direct Selling

Direct selling involves selling products directly to consumers through personal contact rather than through a conventional retail store. Sales representatives may demonstrate products, explain their features and complete transactions directly with customers.

2. Direct Marketing

Direct marketing involves communicating directly with individual customers and encouraging them to make a purchase or response. It may use methods such as telephone, mail, catalogues, email and digital communication.

3. Automatic Vending



Vending machines enable customers to purchase products without the assistance of a salesperson. They are commonly used for products such as beverages, snacks and other frequently purchased items.

The main advantage of vending is convenience and accessibility, particularly where customers require quick purchases.

4. Online Retailing

Online retailing involves selling products and services through websites, mobile applications and other digital platforms. Customers can search for products, compare alternatives, place orders and make payments electronically.

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Online retailing provides advantages such as wider market reach, convenience and extensive product choice. However, retailers must also manage issues such as delivery, returns, customer trust, cybersecurity and competition.

C. Corporate Retailing

Retail organisations can also be classified according to their ownership and organisational structure. Corporate retailing involves retail operations that are organised and managed through a common ownership or formal organisational arrangement.

1. Corporate Chain Stores

A corporate chain consists of two or more retail outlets under common ownership and control, generally operating under the same brand and business system.

Chain retailers can achieve economies of scale in purchasing, advertising, technology, distribution and administration. They can also maintain relatively consistent standards across outlets. Example – Reliance Retail

2. Voluntary Chains

A voluntary chain is a group of independent retailers brought together and supported by a wholesaler to achieve greater purchasing and marketing efficiency. The wholesaler sponsors and coordinates the arrangement by providing services such as bulk purchasing, distribution, advertising and promotional support. However, each retailer remains independently owned and managed and operates its own retail outlet.

Example: IGA (Independent Grocers Alliance).

3. Retailer Cooperatives

A retailer cooperative is a group of independent retailers who jointly establish, own and control an organisation to perform common activities such as purchasing, distribution, advertising and promotion. Unlike a voluntary chain, the initiative and control come from the retailers themselves, who combine their resources and purchasing power to achieve economies of scale and compete more effectively.

Example: Associated Grocers.

4. Franchise Organisations

In franchising, the franchisor grants an independent party, known as the franchisee, the right to operate a business using its brand, business model and operating procedures in return for specified fees or other payments.

Franchising enables rapid expansion while allowing the franchisor to maintain control over important aspects of the brand and operating system. The franchisee, meanwhile, benefits from an established brand and business model.

3.1.12 Case Studies

Case Study 1: Coca-Cola India – Designing a Distribution System for Rural Markets

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Background

In the early 2000s, Coca-Cola India identified rural India as an important market for future growth. However, reaching rural consumers presented distribution challenges that were different from those encountered in urban markets. Rural consumers were geographically dispersed, and many retail outlets were located far from the company's bottling plants.

Coca-Cola's urban distribution system involved moving products relatively directly from bottling plants to retailers. Applying the same system to rural markets would require products to travel long distances to reach relatively small and dispersed retail outlets, making distribution less efficient.

Redesigning the Distribution Channel

To address this challenge, Coca-Cola India adopted a hub-and-spoke distribution system for rural markets. Products were moved from bottling plants to larger distribution points or hubs. These hubs then supplied smaller distribution points, known as spokes, which served retailers in surrounding rural areas.

The basic distribution structure was:

Bottling Plant → Hub → Spoke → Retailer → Consumer

The company also adapted transportation according to the stage of distribution. Larger vehicles were used to move products to hubs, while smaller vehicles and locally suitable modes of transport were used to reach more remote markets. Contemporary accounts describe the use of vehicles such as trucks, auto-rickshaws and cycles, with locally appropriate transport used in difficult areas.

This approach enabled Coca-Cola to move larger quantities efficiently to strategically located points and then distribute products through smaller local networks.

The Wider Rural Marketing Challenge

Distribution was only one part of Coca-Cola India's rural-market strategy. The company recognised that rural consumers also differed from urban consumers in terms of purchasing power, consumption patterns and access to communication media.



The ₹5, 200 ml pack was promoted to make Coca-Cola more affordable and accessible to rural and price-sensitive consumers.

Its rural strategy was commonly described through three objectives: Availability, Affordability and Acceptability. Availability required products to be physically accessible; affordability required attention to pricing and pack sizes; and acceptability required communication and marketing activities suited to rural consumers.

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The distribution system was particularly important to availability. A product cannot generate sales if it is not available at the locations where consumers shop.

The Management Issue

Coca-Cola India's experience raises an important channel-management question: Should a company use the same distribution structure across all markets?

The company's experience suggests that the answer depends on the characteristics of the market. A distribution structure that is efficient in a concentrated urban market may not be equally effective in a geographically dispersed rural market.

The hub-and-spoke system increased the number of stages through which the product moved, but it also enabled Coca-Cola to reach markets that would have been more difficult and costly to serve directly. The company therefore had to balance market coverage, distribution cost, accessibility and control when designing its channel.

Questions for Discussion

1. What distribution problems did Coca-Cola India face in expanding into rural markets?
2. Why was the urban distribution structure not suitable for many rural markets?
3. How did the hub-and-spoke system address the company's distribution problem?
4. What are the possible advantages and disadvantages of adding intermediary levels to a distribution channel?
5. How does this case demonstrate that channel design should be based on market characteristics?
6. If you were the distribution manager, what factors would you consider when deciding whether to continue or modify the hub-and-spoke system?

Source: Based on Subhadra, K. and Dutta, S., *Coca-Cola India's Thirst for the Rural Market*, ICMR Case Study, Case Code MKTG081, ICFAI Center for Management Research, 2004; supplemented with information from other publicly available sources.

Case Study 2: Hindustan Unilever – Project Shakti and Last-Mile Distribution

Background



Hindustan Unilever Limited (HUL) has traditionally operated an extensive distribution network to make its fast-moving consumer goods available across India. However, reaching consumers in small and geographically dispersed rural markets presented a different challenge. Conventional distribution networks could not always reach villages efficiently, particularly where retail infrastructure and transportation facilities were limited.

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To address this challenge, HUL introduced Project Shakti in 2001. The programme involved rural women, known as Shakti Ammas, who were trained to operate as micro-entrepreneurs and distribute HUL products within their communities. The initiative was designed to improve the company's access to rural consumers while also creating income-generating opportunities for participating women.

Developing a New Distribution Channel

Under Project Shakti, selected women from rural communities received training in areas such as product knowledge, sales and basic distribution management. They obtained products through HUL's rural distribution network and sold them directly to consumers and, in some cases, to local retailers.

The model therefore created an additional route to market:

HUL → Rural Distributor → Shakti Entrepreneur → Consumer/Retailer



PROJECT SHAKTI: HUL uses rural women entrepreneurs as distribution partners to improve the availability of its products in rural markets.

The Shakti entrepreneurs provided HUL with access to communities that were difficult to serve through conventional retail channels. Their familiarity with local consumers and communities also helped establish trust and facilitate product adoption.

Over time, Project Shakti expanded substantially. HUL reports that the initiative currently involves more than 2 lakh women micro-entrepreneurs across rural India.

Managing the Channel

Project Shakti also created a new channel-management challenge. The Shakti entrepreneurs were not conventional employees of HUL; they operated as independent micro-entrepreneurs. Consequently, HUL had to provide appropriate training, product knowledge, business support and coordination while ensuring that the entrepreneurs could operate the model profitably.

The programme therefore illustrates that channel management is not limited to controlling traditional distributors and retailers. Organisations may need to develop, motivate and support new types of channel members when entering difficult or underserved markets.

HUL has subsequently combined its traditional distribution network with digital tools. Its Shikhar e-B2B platform, for example, has been used to facilitate ordering and delivery for retailers, while HUL continues to work with distributors, modern trade, e-commerce and other channels.

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The Management Challenge

Project Shakti raises an important question for HUL:

How can a company expand its distribution reach into difficult markets while ensuring that a new channel remains commercially viable and manageable?

The programme demonstrates that channel innovation may involve more than adding another intermediary. It may require the organisation to develop new channel members, provide training and support, redesign distribution processes and build relationships within local communities.

At the same time, HUL must balance several objectives: market coverage, distribution cost, channel control, channel-member motivation and long-term profitability.

Questions for Discussion

1. What distribution problem was Project Shakti designed to address?
2. How does Project Shakti differ from a conventional distributor–retailer distribution channel?
3. What advantages does HUL obtain by using rural women entrepreneurs as channel members?
4. What challenges could HUL face in motivating and coordinating a large network of independent entrepreneurs?
5. How can digital tools such as Shikhar improve the effectiveness of a distribution network?

Source: Based on Rangan, V. K. and Rajan, R., *Unilever in India: Hindustan Lever's Project Shakti—Marketing FMCG to the Rural Consumer*, Harvard Business School Case No. 505-056, 2005; supplemented with information from Hindustan Unilever Limited and other publicly available sources.

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Summarised Overview

Distribution, or Place, focuses on making products and services available to customers at the right place, time, quantity and condition. It creates customer value by improving accessibility, convenience and product availability, while enabling organisations to reach their target markets efficiently.

Marketing channels connect producers with final customers. They may be direct or indirect and can differ in length according to the number of intermediary levels involved. Different channel structures are appropriate for different products, markets and customer requirements. Multichannel and omnichannel

systems enable organisations to reach customers through multiple, and in the latter case integrated, routes.

Channel members perform transactional, logistical and facilitating functions such as buying and selling, transportation, storage, inventory management, financing, promotion and providing market information. These functions help bridge the gaps between production and consumption and facilitate the exchange process.

Channel management involves designing and selecting appropriate channels, selecting and motivating channel members, coordinating their activities, managing channel conflict and evaluating channel performance. Effective management seeks to balance market coverage, customer service, channel control and distribution cost.

Retailing and wholesaling represent important stages in the distribution process. Retailers make products available to final consumers, while wholesalers generally supply retailers and business customers. Retailing can take different forms, including store-based, non-store and organised retail formats.

Overall, effective distribution is a strategic value-delivery process. Organisations must develop and manage distribution networks that provide customers with accessibility, convenience and availability while supporting the organisation's marketing objectives and maintaining efficiency and profitability.



Self-Assessment Questions

1. Explain the meaning and importance of Place (Distribution) in the marketing mix.
2. How does an effective distribution system contribute to customer value? Explain with suitable examples.
3. Explain the need for marketing channels and the role they play in bridging the gaps between producers and consumers.
4. Distinguish between direct and indirect marketing channels. Explain the different levels of indirect channels.
5. Explain the major functions of marketing channels under transactional, logistical and facilitating functions.
6. Distinguish between multichannel and omnichannel marketing systems.

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7. Explain the factors that influence a firm's choice of marketing channel.
8. What is channel management? Explain the major decisions involved in managing a marketing channel.
9. What is channel conflict? Explain its major forms and the ways in which it can affect channel performance.
10. Distinguish between retailing and wholesaling and explain their respective roles in the distribution system.
11. Explain the major types of retailing, with suitable examples.
12. A manufacturer is planning to enter a geographically dispersed market with a large number of small retailers. What channel structure would you recommend? Explain the factors that should be considered in making this decision.



Assignments

1. A company is planning to introduce a new consumer product in both urban and rural markets. Analyse the factors that should be considered in designing an appropriate distribution channel for the two markets. Recommend a suitable channel strategy and justify your choice.
2. A manufacturer sells its products through distributors, wholesalers and retailers while also operating its own online store. Analyse the possible sources of channel conflict in this arrangement and suggest measures for effective channel coordination and management.
3. "An efficient distribution system can create competitive advantage even when competing products have similar features and prices." Critically examine this statement with reference to accessibility, convenience, availability, customer value and channel efficiency.
4. The growth of e-commerce is changing the role of traditional retailers and wholesalers. Analyse how changing consumer behaviour and digital technology are influencing retailing and distribution, and evaluate how traditional channel members can adapt to remain relevant.

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Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

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Unit 2

Promotion and STP

Learning Outcomes

After completing this unit, learner will be able to:

- ◊ explain the meaning, objectives and significance of promotion in the marketing process
- ◊ identify and evaluate the major elements of the promotion mix and their suitability for different marketing situations
- ◊ explain and apply the concept of Segmentation, Targeting and Positioning (STP) in developing marketing strategies
- ◊ analyse different bases of market segmentation and evaluate the attractiveness of potential target segments
- ◊ develop and justify appropriate targeting and positioning strategies based on customer needs, competitive conditions and organisational capabilities

Background

In competitive markets, organisations need to do more than simply offer products and services. They must identify the customers they seek to serve, understand their differing needs and communicate a clear reason for choosing their offerings over competing alternatives. Promotion provides the means through which organisations inform, persuade and engage customers, while Segmentation, Targeting and Positioning (STP) provides a strategic basis for deciding whom to serve and how the offering should be perceived.

This unit introduces the major promotional tools and their objectives, along with the STP framework used to develop focused marketing strategies. It examines how markets can be divided into meaningful customer segments, how

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organisations evaluate and select appropriate target markets, and how distinctive positions can be created in the minds of customers. The unit also considers how promotional communication supports the chosen positioning and helps organisations create and communicate value to their target customers.

Through these concepts and applications, learners develop an understanding of how promotion and STP work together to connect an organisation's offering with the customers it seeks to serve.

Keywords

Promotion, Promotion Mix, Advertising, Sales Promotion, Personal Selling, Market Segmentation, Targeting, Positioning, Target Market, Value Proposition

Discussion

3.2.1 Promotion – Meaning



Promotion refers to the activities undertaken by an organisation to communicate with its target customers and other stakeholders about its products, services or brand and to influence their attitudes and behaviour. It is an important element of the marketing mix because even a well-designed product cannot achieve its marketing objectives unless customers are informed about it and persuaded of its value.

Promotion performs a communication role by conveying information about a product's features, benefits, availability, price and value proposition. It can also be used to create awareness, develop favourable attitudes, encourage trial and purchase, and build long-term relationships with customers.

Kotler and Keller describe marketing communications "as the means by which firms attempt to inform, persuade and remind consumers, directly or indirectly, about the products and brands they sell."

Promotion is not limited to communicating with existing customers. Organisations use promotional activities to communicate with potential customers, channel members, employees and other stakeholders. The nature and intensity of promotion depend on

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factors such as the target market, product characteristics, stage of the product life cycle, competition and the organisation's overall marketing strategy.

Thus, promotion can be viewed as a strategic communication process through which an organisation communicates value to its target market and seeks to achieve desired customer and marketing responses.

3.2.2 Objectives of Promotion

The primary objective of promotion is to communicate value to the target market and influence customer responses. Promotional activities may serve different purposes depending on the organisation's marketing objectives, the nature of the product, the target audience and the stage of the product life cycle.

1. Creating Awareness

Promotion helps customers become aware of a product, brand or organisation. This is particularly important when a new product is introduced or when the organisation enters a new market.

2. Providing Information

Promotion communicates relevant information about the product, such as its features, benefits, price, availability and uses. This helps customers understand how the offering can satisfy their needs.

3. Persuading Customers

Promotional activities seek to influence customers' attitudes, preferences and purchase decisions. Persuasive promotion is particularly important in competitive markets where customers have several alternatives.

4. Stimulating Demand

Promotion can encourage customers to try, purchase or increase their use of a product. Sales promotions, advertising and other promotional tools may be used to stimulate short-term or long-term demand.

5. Building Brand Preference and Loyalty

Consistent promotional communication can help develop a favourable brand image and preference. Over time, this can strengthen customer relationships and encourage repeat purchases.

6. Supporting Other Marketing Activities

Promotion supports the organisation's broader marketing strategy by communicating the value created through its product, pricing and distribution decisions. It can also support channel members by generating demand and providing promotional assistance.

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Thus, promotion serves both informational and persuasive purposes, helping organisations communicate with their target market, influence customer behaviour and achieve their overall marketing objectives.

3.2.3 Promotion Mix

The promotion mix refers to the set of communication tools that an organisation combines to communicate its value proposition to target customers and other stakeholders. From a managerial perspective, the promotion mix is not simply a collection of independent promotional activities; it involves selecting and coordinating communication tools in a manner consistent with the organisation's marketing objectives, target market and overall marketing strategy.



Fig. 3.2.1 Promotion Mix

The major elements of the promotion mix are as follows:

1. Advertising

Advertising is a paid, non-personal form of communication by an identified sponsor. It enables organisations to communicate with large and geographically dispersed audiences through media such as television, print, outdoor media, websites and digital advertising platforms.

Advertising is particularly useful for building awareness, communicating a value proposition, shaping brand perceptions and maintaining brand salience. Its effectiveness depends not only on media reach but also on the relevance and consistency of the message delivered to the target audience.

2. Sales Promotion



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Sales promotion comprises short-term incentives designed to encourage the purchase or sale of a product or service. Consumer-oriented techniques include discounts, coupons, samples, cashback offers, contests and promotional bundles, while trade promotions may include allowances, incentives and display support for channel members.

Sales promotion can generate immediate purchase responses and encourage product trial, but excessive reliance on price-based promotions may weaken perceived brand value or encourage customers to become promotion-dependent.

3. Personal Selling

Personal selling involves direct interaction between a salesperson and prospective or existing customers with the purpose of making a sale and developing customer relationships.

Unlike mass communication, personal selling allows communication to be adapted to individual customer needs. Salespeople can explain complex offerings, respond to objections, negotiate terms and provide feedback to the organisation. It is therefore particularly important in business-to-business markets and for technically complex or high-value products.

4. Public Relations and Publicity

Public relations (PR) involves managing communication and relationships between an organisation and its various publics to develop and maintain a favourable image and reputation. Activities may include media relations, corporate communication, events, community initiatives and crisis communication.

Publicity refers to media coverage or other public attention received by an organisation or its offerings without the organisation purchasing the communication space in the manner of advertising. Publicity may enhance credibility, but the organisation has comparatively less control over the content and presentation of the message.

5. Direct Marketing

Direct marketing involves communicating directly with carefully selected individual customers or customer groups to generate a response or develop a relationship. Email, direct mail, catalogues and targeted customer communications are common forms.

A major advantage of direct marketing is its ability to facilitate targeting, personalisation and response measurement. Customer databases and digital technologies have significantly expanded the ability of organisations to undertake targeted direct communication.

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6. Digital Marketing and Social Media Marketing



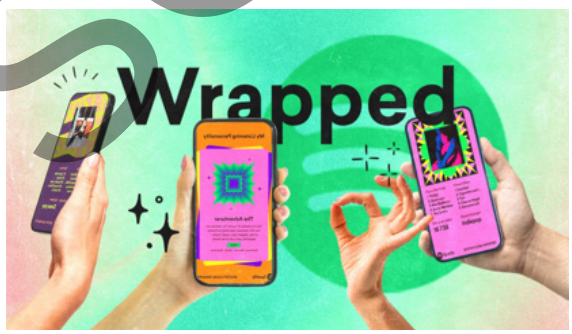
Digital technologies have expanded the ways in which organisations communicate with customers. Digital marketing includes communication through websites, search engines, mobile applications, social media, online video, email and digital advertising platforms.

Digital communication allows organisations to achieve greater targeting, interactivity, personalisation and measurability than many traditional media. Social media additionally enables two-way communication, customer engagement and rapid dissemination of brand-related content. However, it also requires organisations to manage customer feedback, online reputation and the speed at which communication can spread.

Industry Perspective: Spotify – Using Personalisation to Drive Promotion

Spotify's Wrapped campaign provides a strong example of how customer data and personalisation can be used as part of a promotional strategy. Spotify introduced the modern Wrapped format in 2015 and has progressively developed it into an annual global marketing campaign.

Wrapped presents each user with a personalised summary of their listening behaviour, including their most-played songs, artists, genres and other listening patterns. The information is presented in a visually engaging format that users can easily share with friends and on social media. Spotify has described the experience as a highly personalised reflection of each user's year in listening.



The campaign illustrates how an organisation can use customer data to create highly relevant communication. Instead of delivering the same promotional message to every customer, Spotify creates individualised content based on each user's behaviour. The resulting content also encourages users to share their personalised results, allowing customers themselves to contribute to the spread of the campaign.

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From an STP perspective, the example demonstrates how behavioural information can be used to understand and respond to differences among customers. From a promotion perspective, it illustrates the integration of personalisation, digital communication, social sharing and customer engagement.

Spotify's experience also shows how promotional communication can become part of the customer experience itself. In 2025, Spotify reported that Wrapped generated more than 620 million shares, demonstrating the scale to which a personalised promotional experience can encourage customer participation and organic communication.

Management Insight: Customer data can transform promotion from a standard mass communication activity into a personalised and interactive experience, increasing customer engagement and encouraging customers to participate in brand communication.

3.2.3.1 Integrated Use of the Promotion Mix

The effectiveness of promotion depends not simply on the individual tools used but on how well they are integrated. Organisations may use advertising to create awareness, sales promotion to encourage trial, personal selling to facilitate the purchase decision and digital or direct marketing to maintain ongoing customer engagement.

The appropriate promotion mix varies according to the target audience, product characteristics, stage of the product life cycle, nature of competition, communication objectives and available resources. A business-to-business organisation, for example, may place greater emphasis on personal selling, whereas a consumer brand seeking mass awareness may rely more heavily on advertising and digital communication.

Thus, promotion mix decisions are strategic decisions concerning the allocation and coordination of communication resources. The objective is to ensure that different communication activities work together to deliver a clear and consistent value proposition and contribute to the organisation's broader marketing objectives.

3.2.4 Segmentation, Targeting and Positioning (STP)

Segmentation, Targeting and Positioning (STP) is a fundamental strategic framework in marketing that enables an organisation to identify distinct groups of customers, select the groups it intends to serve and develop a clear value proposition for those customers. The framework recognises that markets are heterogeneous and that customers differ in their needs, preferences, purchasing behaviour and responses to marketing programmes.

Instead of attempting to serve the entire market with a single undifferentiated offering, organisations can use STP to identify groups with relatively similar requirements and design marketing strategies that provide greater relevance and value to those groups. STP therefore provides a link between market analysis and marketing strategy.

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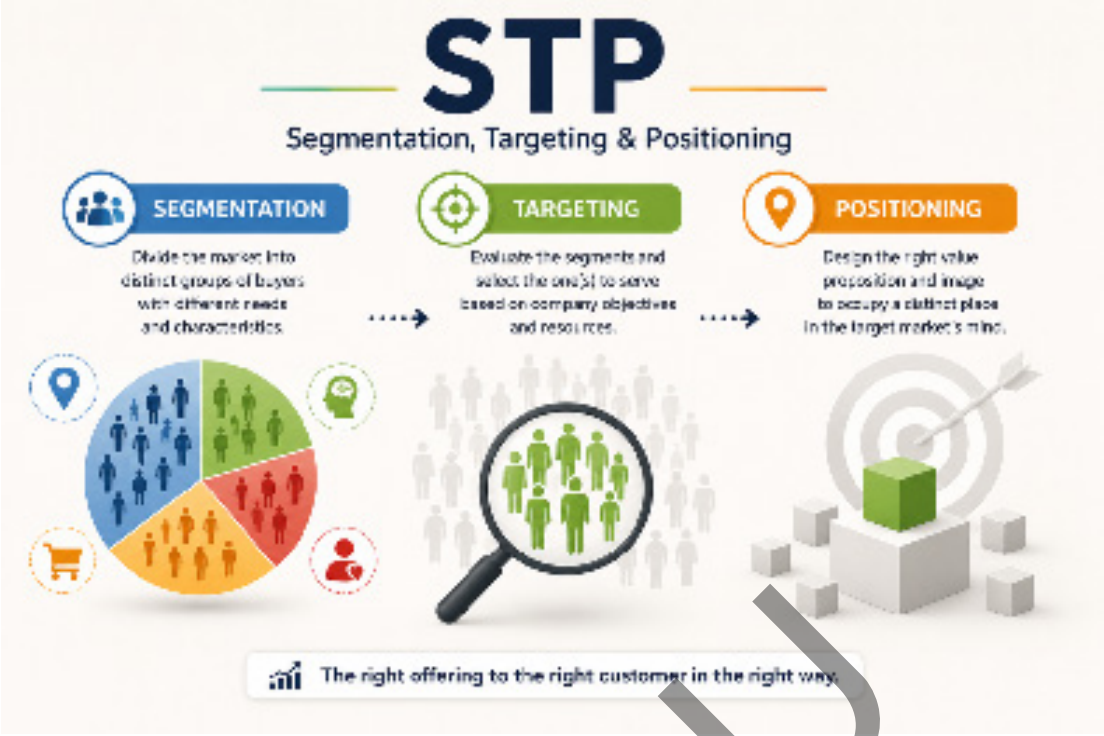


Fig. 3.2.2 STP

The STP process consists of three interrelated decisions: market segmentation, market targeting and market positioning.

3.2.4.1 Market Segmentation

Market segmentation is the process of dividing a broad market into relatively homogeneous groups of customers who have similar needs, characteristics or behaviours and may require distinct marketing strategies or programmes.

Customers within a market may differ considerably in terms of demographic characteristics, purchasing power, lifestyles, consumption patterns, usage behaviour and expectations. Treating all customers as a single market may therefore result in marketing efforts that are insufficiently relevant to particular groups.

Segmentation enables an organisation to identify these differences and develop a clearer understanding of the customers it can potentially serve. It also helps the organisation determine where its resources and marketing efforts are most likely to generate value.

For example, a financial services company may identify different customer groups based on age, income, financial objectives and risk preferences. Young professionals, high-net-worth individuals and retired customers may require different financial products and communication approaches.

Effective segmentation should produce groups that are sufficiently similar within themselves and meaningfully different from one another in ways that are relevant to marketing decisions.

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Objectives of Market Segmentation

The major objectives of market segmentation are to:

1. identify groups of customers with similar needs and characteristics;
2. understand differences in customer requirements and buying behaviour;
3. enable the development of more relevant marketing programmes;
4. improve the allocation of marketing resources;
5. identify attractive market opportunities; and
6. provide a basis for selecting appropriate target markets and positioning strategies.

Segmentation therefore helps organisations move from a broad understanding of the market towards a more focused assessment of specific customer opportunities.

Bases of Market Segmentation

Market segmentation can be carried out using different bases depending on the nature of the market, the characteristics of customers and the organisation's marketing objectives. The major bases used in consumer markets are geographic, demographic, psychographic and behavioural segmentation.

1. Geographic Segmentation



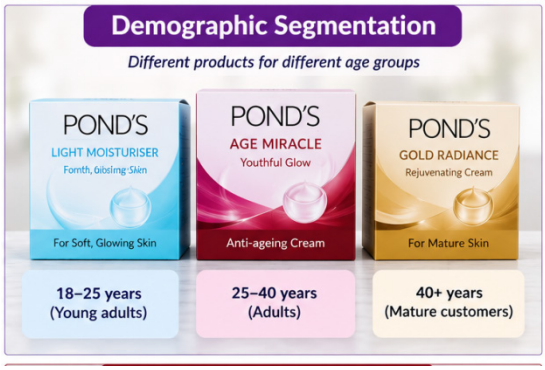
Geographic segmentation divides the market according to geographical factors such as country, region, state, city, climate, population density or urban and rural location.

Customer needs and consumption patterns may vary across geographical areas because of differences in climate, culture, infrastructure, purchasing conditions and local preferences. Organisations may therefore adapt their products, distribution and promotional activities to different geographical markets.

For example, a clothing company may offer different product ranges for customers in tropical and colder regions.

2. Demographic Segmentation

Demographic segmentation divides the market according to measurable characteristics such as age, gender, income, occupation, education, family size, family life cycle and social class.



Demographic variables are widely used because they are relatively easy to identify and measure, and they often influence customers' needs and purchasing behaviour.

For example, a financial institution may offer different products to students, salaried professionals and retired customers based on their income, financial needs and stage of life.

3. Psychographic Segmentation



Psychographic segmentation divides customers according to lifestyle, personality, values, attitudes and interests.

Customers with similar demographic characteristics may have very different lifestyles and preferences. Psychographic segmentation therefore provides deeper insight into why customers behave in particular ways.

For example, two customers of the same age and income may differ significantly in their preferences for sustainable products, adventure activities or luxury goods because of differences in their lifestyles and values.

4. Behavioural Segmentation

Behavioural segmentation divides customers according to their knowledge, attitudes, usage patterns and responses to a product or service.

Important behavioural variables include:



- ◊ occasions of purchase or use;
- ◊ benefits sought;
- ◊ user status;
- ◊ usage rate;
- ◊ loyalty status; and
- ◊ readiness to purchase.

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For example, an airline may distinguish between frequent travellers and occasional travellers and design different loyalty benefits or communication strategies for them.

Combining Segmentation Bases

In practice, organisations may use two or more segmentation bases simultaneously to develop a more meaningful understanding of their target customers. For instance, a company may identify customers based on age and income and then further distinguish them according to lifestyle or purchasing behaviour.

The choice of segmentation base should depend on whether it helps the organisation identify meaningful, measurable and actionable differences among customers. The objective is not to create as many segments as possible, but to identify segments that can support effective marketing decisions.

Requirements for Effective Segmentation

Market segmentation is useful only when the resulting segments are suitable for developing and implementing marketing strategies. Effective market segments should satisfy the following requirements:

1. Measurable

The size, purchasing power and major characteristics of a segment should be capable of being measured. The organisation should be able to estimate the number of customers and the potential demand associated with the segment.

2. Substantial

A segment should be sufficiently large and economically attractive to justify the resources required to serve it. A very small segment may not provide adequate returns unless it has significant strategic value.

3. Accessible

The organisation should be able to effectively reach and serve the segment through appropriate distribution channels and communication media.

4. Differentiable

Segments should differ in meaningful ways in terms of their needs, characteristics or responses to marketing programmes. If different groups respond in essentially the same manner, treating them as separate segments may provide little strategic benefit.

5. Actionable

The organisation should have the resources and capabilities required to develop and implement effective marketing programmes for the segment. A segment may be attractive but of limited value if the organisation cannot effectively serve it.

Effective segmentation therefore requires more than identifying differences among customers. The identified segments must be measurable, substantial, accessible,

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differentiable and actionable so that segmentation can contribute to meaningful marketing decisions.

3.2.4.2 Market Targeting

Market targeting involves evaluating the attractiveness of identified market segments and selecting one or more segments to serve.

Not every segment identified through segmentation will necessarily be suitable for the organisation. A segment may be large but highly competitive, or attractive in terms of growth but beyond the organisation's resources and capabilities. Targeting therefore requires managerial evaluation of both market attractiveness and organisational fit.

Important considerations in evaluating segments include:

- ◊ size and potential growth of the segment;
- ◊ profitability and purchasing power;
- ◊ intensity of competition;
- ◊ accessibility of the segment;
- ◊ customer needs and expectations;
- ◊ availability of organisational resources and capabilities; and
- ◊ consistency with the organisation's objectives and strategy.

Targeting Strategies

An organisation can adopt different approaches to serving market segments.

a. Undifferentiated Marketing

Under an undifferentiated approach, the organisation treats the market as a relatively homogeneous whole and develops a common marketing programme for the entire market. This approach seeks to appeal to customers through a broadly relevant offering rather than developing separate strategies for different segments.

b. Differentiated Marketing

Under differentiated marketing, the organisation selects several market segments and develops separate offerings or marketing programmes for each. This approach can provide greater relevance to individual segments but generally involves higher marketing and operating costs.

c. Concentrated Marketing

Under concentrated marketing, the organisation focuses its resources on a particular segment or a limited number of segments. This approach can enable a firm with limited resources to develop strong expertise and a distinctive position within a specific market.

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d. Micromarketing

Micromarketing involves tailoring products and marketing programmes to the needs of specific individuals or local customer groups. Advances in data analytics and digital technologies have increased organisations' ability to customise marketing activities at increasingly narrow levels.

Evaluation and Selection of Target Segments

After identifying market segments, an organisation must evaluate their attractiveness and determine which segments it can serve effectively. Target-market selection is therefore a strategic decision that involves balancing market opportunity with organisational capability.

Evaluation of Target Segments

The major considerations in evaluating segments include:

1. **Segment Size and Growth:** The organisation considers the current size of the segment, its growth rate and its future potential. However, a large or rapidly growing segment is not necessarily attractive if competition is intense or profitability is low.
2. **Segment Attractiveness:** The organisation evaluates the competitive and economic conditions within the segment. Factors such as the intensity of competition, threat of substitutes, bargaining power of customers and suppliers, and overall profitability influence segment attractiveness.
3. **Organisational Objectives and Resources:** The organisation should assess whether the segment is consistent with its objectives and whether it possesses the financial, technological, human and marketing resources required to serve the segment.
4. **Strategic Fit:** The selected segment should fit the organisation's capabilities, competitive strengths and overall business strategy. A segment may be attractive in general but unsuitable for an organisation that lacks the capabilities required to compete successfully.

Selection of Target Segments

After evaluating the available segments, the organisation selects one or more segments as its target market. The decision should consider not only the potential returns from a segment but also the organisation's ability to create and deliver superior value to customers in that segment.

Target-market selection is therefore not simply a decision to pursue the largest market. A smaller segment may be more attractive if the organisation has distinctive capabilities that allow it to serve that segment more effectively than competitors.

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3.2.4.3 Market Positioning

Positioning refers to the process of creating a distinctive place for a product, service or brand in the minds of target customers relative to competing offerings.

Positioning is concerned not simply with what the organisation wants to communicate but with how the target customer perceives the offering. A strong position communicates a clear reason why the offering is relevant and preferable to available alternatives.

Positioning is usually built around a value proposition that identifies the benefits or attributes on which the organisation seeks to compete. These may include product performance, quality, price, convenience, service, innovation, design or other attributes that are meaningful to the target market.

For example, two brands may operate in the same product category but occupy different positions. One may emphasise affordability and value, while another may focus on premium quality and exclusivity. The positioning therefore provides a basis for differentiation in the customer's mind.

Positioning Strategies

Organisations may position their offerings on the basis of different sources of competitive differentiation, including:

- ◊ product attributes or benefits;
- ◊ quality and performance;
- ◊ price and value;
- ◊ service;
- ◊ convenience;
- ◊ usage or application;
- ◊ user or customer category; and
- ◊ comparison with competitors.

The choice of positioning should be based on attributes that are important to the target customers, distinctive from competitors and capable of being credibly delivered by the organisation.

Industry Perspective: Dove – Real Beauty and Brand Positioning

In 2004, Dove launched its global Real Beauty campaign, moving away from conventional advertising that often associated beauty with idealised models. The campaign featured women of different ages, body shapes and appearances and sought to challenge narrow perceptions of beauty.

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The campaign was closely connected with Dove's broader brand positioning. Rather than positioning Dove only around functional product benefits such as cleansing or moisturising, the brand sought to establish a more distinctive emotional and social association with real, authentic beauty.



The campaign generated substantial public discussion and became one of the most recognisable examples of purpose-oriented brand communication. Its success illustrates how promotional communication can be used not merely to inform customers about a product but to create and reinforce a desired brand position.

From an STP perspective, the case demonstrates the relationship between targeting and positioning. Dove identified an opportunity to connect with consumers who felt underrepresented by traditional beauty advertising and developed communication designed to make the brand relevant to them. The campaign therefore shows how a clearly defined target audience can influence the way a brand seeks to differentiate itself in a competitive market.

Management Insight: Effective promotion becomes more powerful when it is built around a clear positioning strategy and communicates a value that is meaningful to the target market.

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Developing a Positioning Strategy

Positioning involves establishing a clear and distinctive place for a product, service or brand in the minds of target customers relative to competing offerings. Developing a positioning strategy requires the organisation to identify the value that it intends to provide and the basis on which it seeks to differentiate itself.

1. Identifying Points of Difference

The organisation first identifies characteristics or benefits that can provide meaningful differentiation from competing offerings. These may relate to product performance, quality, service, convenience, technology, design, price or other attributes valued by the target market.

A potential point of difference should be important to customers, distinctive, superior, communicable, difficult for competitors to copy and economically viable.

2. Establishing the Value Proposition

The organisation then determines the value proposition it intends to offer to the target market. The value proposition expresses the benefits that customers can expect and the reason why the offering should be preferred over competing alternatives.

A strong value proposition should provide a clear answer to the customer's fundamental question: Why should I choose this offering instead of another available alternative?

3. Choosing and Communicating the Position

The chosen position must be reflected consistently in the organisation's marketing mix. Product features, pricing, distribution and promotional communication should reinforce the intended position.

Positioning is not created solely through advertising. The position must be supported by the actual customer experience. If an organisation promotes superior service but fails to deliver it, the intended position may not be credible.

Effective positioning therefore requires consistency between what the organisation promises, communicates and delivers to its target customers.

3.2.5 Relationship between Segmentation, Targeting and Positioning

Segmentation, targeting and positioning are not independent decisions. They form a connected strategic process.

Segmentation answers: *Which distinct groups exist in the market?*

Targeting answers: *Which of these groups should the organisation serve?*

Positioning answers: *How should the organisation's offering be perceived by the selected customers?*

The effectiveness of positioning therefore depends partly on the quality of segmentation and targeting. A position that is attractive to one customer segment may have little relevance to another. Similarly, selecting a target segment without understanding its needs and competitive alternatives may result in an ineffective marketing strategy.

STP ultimately enables an organisation to make a fundamental strategic choice: which customers it will serve and how it will create and communicate superior value for them. It therefore provides an important foundation for subsequent decisions concerning the marketing mix.

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3.2.6 Objectives of STP

The major objectives of Segmentation, Targeting and Positioning (STP) are to:

1. Identify distinct customer groups with different needs, preferences and purchasing behaviour.
2. Understand customer needs more precisely and identify differences that are relevant to marketing decisions.
3. Select attractive target markets where the organisation can create value and achieve its marketing objectives.
4. Focus marketing resources effectively by directing products, communication and other marketing efforts towards selected customer segments.
5. Develop a clear basis for differentiation by identifying the benefits and attributes that are important to the target customers.
6. Create a distinctive market position for the organisation's product or brand in relation to competing offerings.
7. Improve the effectiveness of the marketing mix by aligning product, price, distribution and promotional decisions with the needs of the selected target market.

Overall, the objective of STP is to help an organisation make a clear strategic choice about which customers to serve, what value to offer them and how the offering should be perceived in the market.

Case Studies

Case Study 1: Tanishq – Repositioning to Capture the Indian Woman's Heart

Background



When Titan entered the Indian jewellery market with Tanishq, the brand faced a significant challenge. The Indian jewellery market was traditionally dominated by local jewellers, and purchasing decisions were strongly influenced by established relationships, trust and traditional buying practices.

Tanishq initially sought to establish itself as a modern, premium jewellery brand. However, the company found that its original positioning did not fully connect with the realities of the Indian jewellery market. Jewellery purchases were strongly associated with Indian traditions, family occasions and cultural values, particularly among women.

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The company therefore faced an important strategic question: How should Tanishq position itself to become more relevant to Indian consumers while retaining its modern and premium identity?

Understanding the Target Market

Tanishq recognised that the Indian jewellery customer could not be treated as a single homogeneous market. Consumers differed in terms of income, purchasing motivations, lifestyles and attitudes towards jewellery.

An important opportunity existed among Indian women who wanted jewellery that combined traditional Indian values with contemporary design and aspirations. This created the possibility of positioning Tanishq around a combination of tradition and modernity rather than treating the two as opposing concepts.

Repositioning the Brand

Tanishq subsequently developed a positioning centred on the "traditional yet modern" Indian woman. The brand sought to become relevant to women who valued India's cultural traditions but were also increasingly influenced by modern lifestyles and changing aspirations.

This positioning required more than changing advertising messages. Tanishq had to ensure that its product designs, retail environment, communication and overall customer experience supported the intended brand image.

The company therefore used design and communication to distinguish itself from traditional jewellery retailers while retaining connections with Indian cultural values.

The Strategic Choice

The situation became more complex with the development of GoldPlus, another jewellery brand intended to address a different opportunity in the Indian market, particularly the plain-gold and wedding jewellery segment.

The management therefore had to consider how Tanishq and GoldPlus should coexist without creating unnecessary overlap between the two brands.

The central strategic issue was whether Tanishq should continue to focus on its evolving position among the modern Indian woman or whether the company should use the two brands to pursue different customer segments and market opportunities.

Managerial Issue

The case demonstrates that successful positioning requires a clear understanding of the target customer, competitive environment and value proposition. A brand cannot simply claim to be modern, premium or traditional; these associations must be meaningful to the selected target market and supported by the complete marketing programme.

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It also demonstrates the importance of brand portfolio decisions. When an organisation operates more than one brand in the same broad product category, it must establish sufficiently clear differences in target markets and positioning to avoid internal competition and customer confusion.

Questions for Discussion

1. What factors influenced Tanishq's decision to reconsider its original positioning?
2. How would you segment the Indian jewellery market based on the information presented in the case?
3. Why was the "traditional yet modern" positioning relevant to Tanishq's target market?
4. How can Tanishq differentiate itself from traditional jewellery retailers?
5. What positioning challenges could arise from operating Tanishq and GoldPlus simultaneously?
6. If you were the marketing manager, how would you position Tanishq against competing jewellery brands?

Source: Based on Narayandas, D., & Herman, K. (2006). *Tanishq: Positioning to capture the Indian woman's heart*. Harvard Business School Case No. 507-025; supplemented with publicly available information.

Case Study 2: Shoppers Stop – Targeting the Young

Background

Shoppers Stop, one of India's organised retail chains, operated in a retail environment where consumer preferences were changing rapidly. The growth of organised retail was bringing new customer groups into modern retail stores, while younger consumers were becoming increasingly important to the future of the sector.

Shoppers Stop had to consider whether its existing broad-market approach was sufficient or whether it needed to develop a more focused strategy for younger consumers. The challenge was particularly important because younger customers could potentially have different expectations regarding fashion, shopping experience, brands, communication and store environments.

Identifying the Target Market

The company recognised that age alone was not sufficient to understand the young consumer. Younger shoppers could differ considerably in terms of lifestyle, aspirations, purchasing behaviour and attitudes towards brands.

Shoppers Stop therefore faced the challenge of identifying which characteristics were most useful for distinguishing attractive customer groups and understanding what these consumers valued in a retail experience.

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The company had to consider whether it should treat young consumers as a single segment or identify more specific groups within this broader market.

The Targeting Decision

A focused strategy towards younger customers offered potential advantages. It could allow Shoppers Stop to develop merchandise, communication and shopping experiences that were more relevant to their preferences. It could also help the retailer establish stronger relationships with customers at an early stage of their consumption lives.

However, targeting a specific group also involved risks. A highly focused strategy could limit the retailer's appeal to other customer groups and require additional investment in merchandise, communication and store experience.

The management therefore had to determine which young consumers represented the most attractive target and how the organisation could serve them more effectively than competing retailers.

The Strategic Challenge

The central issue was not simply whether young consumers represented an attractive market. Shoppers Stop had to determine how the segment should be defined, which customers should be targeted and what value proposition would be most relevant to them.

This required the organisation to connect segmentation and targeting decisions with its broader retail strategy. Merchandise selection, store environment, promotional communication and customer relationship activities would all need to support the selected target market.

Managerial Challenge

The case demonstrates that effective targeting begins with meaningful segmentation. A broad category such as "young consumers" may contain several groups with substantially different needs and behaviours.

It also illustrates the importance of strategic fit. A segment may be attractive because of its size or growth potential, but the organisation must also assess whether it has the resources and capabilities required to serve that segment effectively.

Questions for Discussion

1. What factors should Shoppers Stop consider when segmenting the young-consumer market?
2. Which segmentation bases would be most useful for identifying attractive young-consumer segments?
3. Should Shoppers Stop target young consumers as a single segment or adopt a more focused approach? Justify your answer.

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4. What factors should the company consider when evaluating the attractiveness of different target segments?

5. What value proposition could Shoppers Stop develop for its selected target market?

6. How should the retailer align its merchandise, store experience and promotional communication with the selected target segment?

Source: Based on Krishnan, S., & Chandrasekhar, R. (2009). *Shoppers Stop: Targeting the Young*. Ivey Business Case; supplemented with publicly available information.



Summarised Overview

Promotion is a strategic communication activity through which an organisation communicates with customers and other stakeholders about its products, services and brands. It helps create awareness, provide information, persuade customers, stimulate demand, build brand preference and support other marketing activities. The promotion mix consists of advertising, sales promotion, personal selling, public relations and publicity, direct marketing, and digital and social media marketing. The effectiveness of promotion depends on selecting and integrating appropriate communication tools according to the target audience, product characteristics, marketing objectives, competition and available resources.

Segmentation, Targeting and Positioning (STP) is a strategic framework that helps organisations identify distinct customer groups, select the markets they intend to serve and establish a clear value proposition for those customers. Market segmentation divides a broad market into relatively homogeneous groups based on relevant customer characteristics and behaviour. The major bases of segmentation are geographic, demographic, psychographic and behavioural. Effective segments should be measurable, substantial, accessible, differentiable and actionable.

Market targeting involves evaluating identified segments and selecting one or more segments to serve. Segment size and growth, profitability, competition, accessibility, organisational resources and strategic fit are important considerations. Organisations may adopt undifferentiated, differentiated, concentrated or micromarketing approaches depending on their objectives and capabilities.

Market positioning refers to creating a distinctive place for a product, service or brand in the minds of target customers relative to competing offerings. It is based on a clear value proposition and meaningful sources of differentiation. Thus, STP provides a connected strategic process: Segmentation identifies the customer groups, Targeting selects the groups to serve, and Positioning determines how the offering should be perceived by those customers.

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Overall, this unit highlights the importance of communicating value to the right customers through appropriate promotional tools and developing a clear market position based on a systematic understanding of customer differences. Effective integration of promotion and STP enables organisations to focus marketing resources, create relevant customer value and achieve stronger differentiation in competitive markets.



Self-Assessment Questions

1. Explain the meaning of promotion and discuss its role in the marketing process.
2. What are the major objectives of promotion? Explain how promotional activities can influence customer responses.
3. Explain the major elements of the promotion mix and discuss their respective roles.
4. Distinguish between advertising, sales promotion and personal selling.
5. Explain the role of public relations, direct marketing and digital marketing in the promotion mix.
6. What is Segmentation, Targeting and Positioning (STP)? Explain the relationship among the three components.
7. Explain the major bases of market segmentation with suitable examples.
8. What are the requirements of an effective market segment? Explain the significance of measurability, substantiality, accessibility, differentiability and actionability.
9. Explain the major approaches to market targeting: undifferentiated, differentiated, concentrated and micromarketing.
10. What factors should an organisation consider when evaluating and selecting target market segments?
11. Explain the meaning of market positioning and discuss the importance of a clear value proposition in positioning.
12. A company is planning to launch a new product in a highly competitive market. Explain how it can use the STP process and an appropriate promotion mix to develop and communicate a distinctive market position.

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Assignments

1. Analyse the role of promotion in building competitive advantage. Select any organisation and examine how it uses different elements of the promotion mix to create awareness, influence customer behaviour and strengthen its market position.

2. Analyse the STP strategy of a selected organisation. Identify the major segmentation bases used by the organisation, evaluate its choice of target market and examine how its positioning is communicated through the marketing mix.

3. A company is planning to introduce a new product in a highly competitive market. Develop an STP strategy for the product by identifying suitable market segments, evaluating and selecting the most attractive target segment, and developing an appropriate positioning statement. Justify each decision.

4. Critically evaluate the relationship between STP and promotion. Using a suitable organisation or brand as an example, analyse how segmentation and targeting influence the choice of promotional tools and how promotional communication reinforces the intended positioning.

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Suggested Reading

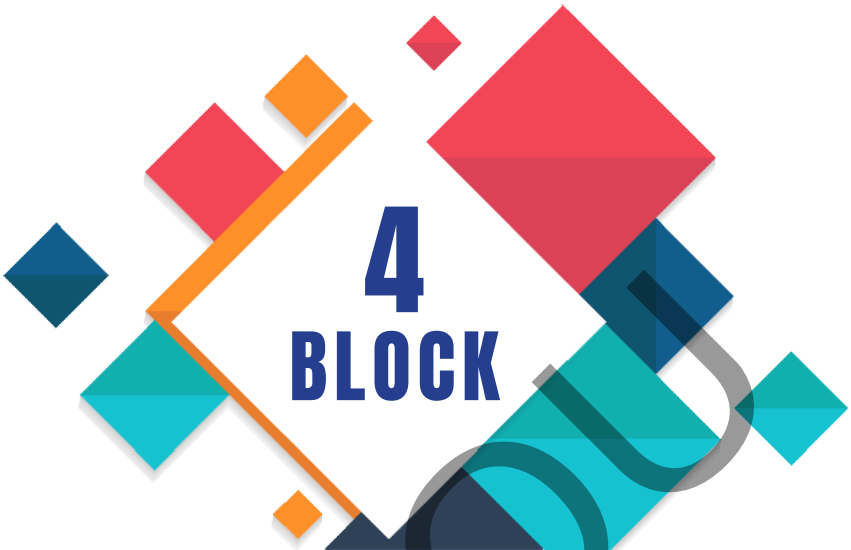
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Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

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Contemporary & Global Trends

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Unit 1

Global, Green and Social Marketing

Learning Outcomes

After completing this unit, learner will be able to:

- ◊ explain the concepts of global marketing
- ◊ explain the major global marketing strategies
- ◊ discuss the concept and strategies of green marketing
- ◊ explain the role of social marketing in influencing behavioural change

Background

Organisations today operate in an increasingly interconnected business environment that extends beyond national boundaries and requires them to balance economic objectives with social and environmental responsibilities. Consequently, marketing has evolved from a function primarily concerned with selling products and generating profits into a broader discipline that contributes to customer value and sustainable development.

Global marketing enables organisations to enter international markets, serve diverse customer segments, and build a presence across countries. Social marketing applies marketing principles to encourage behavioural changes that contribute to individual and societal well-being, while green marketing integrates environmental considerations into products, processes, and marketing practices. Together, these approaches reflect the changing expectations of consumers, governments, communities and other stakeholders Knowing these dimensions of marketing is essential for organisations seeking to remain competitive, responsible and sustainable in a dynamic global marketplace. This unit examines the concepts, benefits and limitations of global, social and green marketing and explores their relevance to contemporary business practices.

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Keywords

Global Marketing, Globalisation, Social Marketing, Social Responsibility Green Marketing, Sustainability, Green Products, Environmental Protection, Marketing Strategy

Discussion

4.1.1 Global Marketing

The advancement of transportation and communication technologies has fundamentally transformed international trade. In the past, businesses faced significant challenges in reaching overseas markets because shipping products across countries was slow, costly and unreliable. Today, improved logistics networks, faster transportation systems and digital connectivity have made it possible for goods and services to move efficiently across international borders, contributing to the growth of a highly interconnected global economy.

As businesses expanded beyond their domestic markets, they needed marketing strategies that could address the diverse needs and preferences of consumers in different countries. This led to the emergence of global marketing, a business approach that focuses on identifying, creating, communicating and delivering value to customers across multiple international markets. It encompasses a wide range of activities, including product development, pricing, distribution, promotion, and customer relationship management on a global scale.

An effective global marketing strategy balances standardisation and localisation. While companies often maintain a unified brand image worldwide, they frequently modify elements of the marketing mix, such as product features, pricing strategies, promotional campaigns, distribution channels, digital platforms and customer engagement practices to better align with local consumer expectations and market conditions. This combination enables organisations to strengthen their global presence while remaining competitive in regional markets.

McDonald's is a strong example of global marketing through a standardised brand combined with local adaptation. The company maintains a consistent global identity, including its logo, service concept and core brand values, while adapting its menu and promotional strategies to suit local tastes and cultural preferences. For example, its offerings differ across countries to reflect regional food habits. This approach enables McDonald's to maintain global brand recognition while remaining relevant to consumers in different markets.

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4.1.1.1 Importance of Global Marketing

Global marketing has become an essential business strategy in today's interconnected world. As international trade and globalisation continue to expand, businesses are increasingly entering foreign markets to reach new customers and achieve sustainable growth. The importance of global marketing can be understood through the following points:

i. **Expands Business Opportunities :** Global marketing enables companies to enter international markets and reach millions of potential customers beyond their domestic boundaries. This expansion increases sales, market share and long-term business growth.

ii. **Strengthens Competitive Position :** Operating in global markets encourages businesses to improve product quality, adopt advanced technologies and develop innovative marketing strategies. This helps them compete effectively with international competitors.

iii. **Increases Revenue and Profitability :** By selling products and services in multiple countries, businesses can generate additional income from international markets. Diversified revenue sources contribute to higher profitability and financial stability.

iv. **Reduces Dependence on a Single Market :** Companies that operate globally are less affected by economic downturns or market fluctuations in one country. Strong performance in other markets can help offset losses in regions experiencing slow growth.

v. **International Brand Recognition :** A strong global presence enhances customer trust and brand credibility. Internationally recognized brands often enjoy greater customer loyalty and are perceived as reliable and high quality.

vi. **Efficient use of Resources :** Global marketing allows firms to utilize available resources more effectively by sourcing raw materials, technology, and skilled labour from different countries while serving diverse markets efficiently.

vii. **Improves Consumer Choice :** From the consumers point, global marketing provides access to a wider range of products and services with improved quality, competitive prices and advanced features from different parts of the world.

4.1.1.2 Strategies of Global Marketing

Global marketing involves planning and implementing marketing activities across different countries and markets. Organisations operating internationally face diverse customer needs, cultural values, economic conditions, competitive environments and regulatory requirements. Therefore, a strategy that is successful in one country may not produce the same results in another.

Global marketing strategy refers to the overall approach adopted by an organisation to market its products or services across international markets. It involves decisions

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regarding market selection, product offerings, pricing, distribution, promotion and the extent to which marketing activities should be standardised or adapted to individual markets.

The central strategic challenge in global marketing is to achieve an appropriate balance between global consistency and local responsiveness.

4.1.1.3 Major Global Marketing Strategies

1. Standardisation Strategy

A standardisation strategy involves offering essentially the same product and using similar marketing approaches across different countries. The organisation maintains consistency in product features, branding, packaging, pricing or promotional communication, wherever market conditions permit.

Standardisation can reduce production and marketing costs, simplify operations and create a consistent global brand image. It is particularly suitable when customer needs are relatively similar across markets. For example, Apple follows a largely standardised global approach for its iPhone product line, maintaining a consistent product design, brand identity and core positioning across international markets. While certain technical specifications may vary to meet local regulatory or network requirements, the core product and global brand experience remain largely consistent.

2. Localisation Strategy

Localisation strategy refers to adapting a product, service and marketing approach to meet the specific needs, preferences, culture and market conditions of a particular local market. It focuses strongly on local responsiveness rather than maintaining complete uniformity across countries. In this strategy, an organisation may modify the product, packaging, pricing, communication and customer experiences according to local requirements. For example: A global food company may change its recipes, packaging and promotional messages to match the tastes, dietary practices and cultural preferences of consumers in a particular country.

3. Global Branding Strategy

Global branding involves developing and maintaining a consistent brand identity across international markets. The organisation seeks to create a recognisable brand name, image and positioning while making limited local modifications where necessary. A strong global brand can create customer recognition, trust and perceived value across countries. Example: Brands such as Coca-Cola and Nike maintain strong global identities while adapting selected marketing activities to local markets.

4. Glocalisation Strategy

The Glocalisation strategy combines elements of both global and localisation strategies. It involves adapting a global marketing strategy to suit the preferences and cultural characteristics of a specific local market. In this strategy, an organisation maintains its core global identity and standards while modifying selected elements such

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as product features, pricing, packaging, communication or distribution according to local market conditions.

For example: McDonald's maintains its global brand identity but adapts its menu to local tastes. In India, it offers products such as the McAloo Tikki, reflecting local consumer preferences.

4.1.1.4 Major Limitations of Global Marketing

i. **High Cost of Operations :** Global marketing requires substantial investment in market research, advertising, transportation, distribution, technology and skilled personnel. These expenses make international business operations costly.

ii. **Cultural and Language Differences :** Consumer preferences, traditions, languages and lifestyles vary across countries. Businesses must adapt their products and marketing strategies to suit local cultures, which can be challenging.

iii. **Legal and Regulatory Barriers :** Every country has different laws related to taxation, import-export regulations, product standards, and consumer protection. Complying with these legal requirements increases time and operational costs.

iv. **Political and Economic Risks :** Political instability, changes in government policies, trade restrictions, inflation and currency fluctuations can negatively affect business performance in international markets.

v. **Complex Supply Chain and Management :** Managing production, transportation, inventory, and distribution across different countries is difficult. Delays, logistical issues and coordination among international partners can reduce efficiency and increase costs.

4.1.2 Social Marketing

Social marketing is a marketing approach that applies marketing principles and techniques to encourage behaviours that benefit individuals and society. Social marketing seeks to understand people's needs, motivations and attitudes. The primary objective of traditional commercial marketing is mostly profit making. But the primary goal of social marketing is to achieve a common good.

Objectives of Social Marketing

- ◊ Promote positive social and behavioural change.
- ◊ Improve public health and quality of life.
- ◊ Increase awareness about social and environmental issues.
- ◊ Encourage responsible and ethical behaviour.
- ◊ Enhance the overall welfare of society.

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An organisation must balance three aspects of their business to their social marketing strategy. This includes profit, consumer needs, and society's interests. A proper blend of these three is the composition of social marketing.

- ◊ Society's Interests: The organisation must make sure that their products, services, actions, investment, innovations etc., serves society or human welfare.
- ◊ Consumer Needs: The organisation must make sure that the Products and services must meet the consumers' needs and satisfaction.
- ◊ Profits: Organisations must realise to make a profit and maximise their wealth to ensure its sustainability in the market. For this purpose, they must build long-term customer relationships, be socially responsible, and provide satisfactory products.

Some Examples of Social Marketing

- ◊ Anti-smoking and anti-tobacco campaigns.
- ◊ Road safety and helmet awareness programmes.
- ◊ Pulse Polio immunisation campaign.
- ◊ Water conservation and environmental awareness campaigns.

4.1.2.1 Importance of Social Marketing

Social marketing enables business firms to connect their marketing activities with social issues and encourage behaviours that benefit individuals and society. By communicating messages that are relevant to the target audience, firms can influence public perceptions, strengthen stakeholder relationships and create opportunities for meaningful engagement. The importance of social marketing to business organisations is discussed below.

i. **Brand Awareness:** Social marketing can enhance brand awareness by increasing the visibility of a firm's name through campaigns addressing relevant social issues. When a firm participates in initiatives related to education, public health or environmental protection, its brand may attract greater public attention and become more familiar to the target audience. For example, a company promoting plastic waste reduction through public awareness campaigns may improve its brand visibility among environmentally conscious consumers.

ii. **Cost-effective Marketing Strategy:** Social marketing can complement conventional promotional activities by encouraging public participation, community engagement and the sharing of socially relevant messages. Such campaigns may generate publicity and audience engagement without relying entirely on paid advertising. For example, a company organising a community cleanliness campaign may receive local media coverage and attract public attention. However, the cost-effectiveness of social marketing depends on the campaign's objectives, implementation costs and outcomes.

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iii. **Enhancing Corporate Image :** Social marketing provides business firms with opportunities to demonstrate their commitment to social welfare and responsible business practices. When firms support genuine social causes, they may develop a favourable corporate image and strengthen their reputation among customers and other stakeholders. For example, a company supporting educational programmes for underprivileged children can demonstrate its commitment to social development while building positive relationships with the community.

iv. **Reaching and Engaging the Target Audience:** Social marketing enables business firms to communicate with specific audiences through messages connected with their interests, values and social concerns. By selecting appropriate communication channels and designing relevant campaigns, firms can attract attention and encourage audience participation. For example, a campaign promoting responsible consumption may use social media to engage younger consumers and encourage them to adopt environmentally responsible practices.

v. **Strengthening Customer Relationships:** Social marketing can help firms develop stronger relationships with customers by connecting their activities with causes that customers consider important. When a firm's commitment to a social cause is perceived as genuine, it may strengthen customer trust and encourage favourable attitudes towards the brand.

4.1.2.2 Advantages of Social Marketing

i. **Improved Brand Image:** Social marketing can improve a firm's brand image by demonstrating its commitment to addressing social concerns. When a firm supports relevant social causes through genuine and consistent actions, customers may develop a favourable perception of the brand. For example, a company that regularly supports environmental conservation initiatives may be perceived as environmentally responsible.

ii. **Increased Customer Loyalty:** Social marketing can strengthen customer loyalty by creating an emotional connection between customers and a brand. Customers who identify with a firm's social values may be more inclined to maintain their relationship with the brand. For example, consumers who value environmental protection may prefer a brand that consistently demonstrates responsible environmental practices.

iii. **Competitive Advantage:** Social marketing can help a firm differentiate itself from competitors by highlighting its commitment to social causes. This differentiation may be valuable when competing products offer similar features and quality. For example, a company that combines its products with credible waste-reduction initiatives may appeal to environmentally conscious consumers.

iv. **Positive Word-of-Mouth Publicity:** Social marketing campaigns can encourage customers and community members to share information about a firm's

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socially responsible initiatives. When people find a campaign meaningful, they may recommend the brand or share its message through personal networks and social media, thereby increasing its visibility.

4.1.2.3 Disadvantages of Social Marketing

i. **Superficial Impact:** Social marketing campaigns may create awareness but may not always result in sustained behavioural change. Long-term change often requires supporting policies and incentives.

ii. **High Cost:** Designing and implementing large-scale social marketing campaigns can require substantial financial and human resources, particularly when campaigns target large populations.

iii. **Resistance to Behavioural Change:** Individuals may resist recommended behavioural changes because of established habits, cultural beliefs, social influences or perceived inconvenience.

iv. **Difficulty in Measuring Effectiveness:** It can be difficult to measure the actual impact of social marketing because changes in behaviour may take time and can be influenced by several external factors.

4.1.3 Green Marketing

Growing environmental concerns, climate change, depletion of natural resources and increasing consumer awareness have transformed the way businesses operate. Modern consumers are increasingly concerned about the environmental impact of the products they purchase and the organisations they support. As a result, businesses are adopting environmentally responsible practices not only to comply with regulations but also to gain competitive advantage and build a positive corporate image. This has led to the emergence of Green Marketing, which integrates environmental considerations into marketing activities.

Green marketing encourages organisations to design, produce, package, promote and distribute products in ways that minimise environmental harm while satisfying consumer needs. It reflects the growing recognition that economic growth and environmental sustainability must go hand in hand. Green marketing refers to the marketing of products and services that are environmentally safe. For Example: IKEA promotes green marketing by using more renewable and recycled materials in its products and packaging and by designing products with resource efficiency and recyclability in mind.

4.1.3.1 Importance of Green Marketing

Green marketing has gained significant importance in the contemporary business environment for several reasons.

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i. **Environmental Protection:** One of the primary objectives of green marketing is to reduce environmental degradation. By encouraging sustainable production and consumption patterns, businesses contribute to the conservation of natural resources and reduction of pollution.

ii. **Meeting Consumer Expectations:** Modern consumers are increasingly aware of environmental issues. Many consumers prefer products that are recyclable, energy-efficient, biodegradable, or produced through sustainable methods. Green marketing helps organizations meet these changing consumer expectations.

iii. **Competitive Advantage:** Organisations adopting green marketing practices can differentiate themselves from competitors. A strong environmental commitment can enhance brand image and attract environmentally conscious consumers.

iv. **Compliance with Government Regulations:** Governments across the world have introduced environmental regulations relating to pollution control, waste management, and sustainable production. Green marketing helps businesses comply with these regulations and avoid legal penalties.

v. **Cost Reduction:** Many green initiatives such as energy conservation, waste reduction and efficient resource utilisation can lower operational costs in the long run. Sustainable practices often improve productivity while reducing expenses.

vi. **Long-Term Sustainability:** Sustainable marketing practices ensure that businesses can continue operating successfully without depleting resources needed by future generations.

4.1.3.2 Green Marketing Strategies

Organisations adopt various strategies to integrate environmental considerations into their marketing decisions and promote products and practices that contribute to sustainability. These strategies extend across the major elements of the marketing mix, including product, pricing, promotion, and distribution.

1. Green Product Strategy

Green product strategy involves designing, developing and marketing products with reduced environmental impact throughout their life cycle. This includes the selection of sustainable raw materials, environmentally responsible production processes, energy efficiency, durability, recyclability, and responsible disposal. Organisations may develop products that are recyclable, biodegradable, reusable, energy-efficient, or manufactured using renewable or sustainable materials. The objective is to satisfy customer needs while minimising the consumption of natural resources, pollution, waste, and other environmental impacts. For example, Asian Paints promotes environmentally responsible products such as low-VOC and low-odour paints, which help reduce the release of harmful volatile organic compounds during use. The company also focuses on improving manufacturing processes and resource efficiency to reduce environmental impact.

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2. Green Pricing Strategy

Green pricing strategy involves determining prices for environmentally responsible products by considering both their economic value and environmental benefits. Sustainable materials, cleaner technologies and environmentally responsible production processes may increase the cost of developing certain green products. However, organisations can communicate the long-term economic and environmental value of such products to customers.

Pricing decisions may consider factors such as production costs, customer willingness to pay, long-term cost savings, environmental value and the competitive positioning of the product. The strategy aims to balance profitability with the value customers associate with sustainable consumption. For example: Tata Motors' electric vehicles, provide an environmentally responsible alternative to conventional petrol and diesel vehicles. Although an EV may involve a higher initial purchase cost, lower fuel and maintenance expenses over its operating life can provide long-term economic value to customers while reducing emissions.

3. Green Promotion Strategy

Green promotion strategy involves communicating an organisation's environmental initiatives and the sustainability benefits of its products to target customers and other stakeholders. Organisations may use advertising, public relations, digital communication, eco-labels, sustainability reports and awareness campaigns to communicate their environmental efforts. Green promotional messages may emphasise benefits such as reduced emissions, energy efficiency, responsible sourcing, recyclability, waste reduction and the use of renewable resources. Such communication should be transparent and supported by credible information to avoid misleading environmental claims or greenwashing.

Greenwashing is the practice of misleading consumers by creating an exaggerated, false, or unsupported impression that a product, service, or organisation is environmentally responsible. It occurs when organisations emphasise selected environmental claims while providing limited or no evidence about their actual environmental performance.

4. Green Distribution Strategy

Green distribution strategy involves integrating environmental considerations into the transportation, warehousing, logistics and delivery of products. The objective is to minimise the environmental impact associated with moving products from producers to customers while maintaining effective and efficient distribution.

Organisations can adopt practices such as optimising transportation routes, using electric vehicles, reducing packaging waste, improving warehouse energy efficiency and sourcing products closer to target markets. These practices can reduce fuel consumption, carbon emissions, waste and other environmental impacts associated with distribution activities. Amazon has introduced electric delivery vehicles into its delivery network and uses technology to optimise delivery routes and improve transportation efficiency.

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These initiatives can help reduce dependence on fossil fuels, lower fuel consumption and decrease emissions from delivery operations.

4.1.3.3 Challenges of Green Marketing

Despite its benefits, green marketing faces several challenges:

- ◊ Higher production costs
- ◊ Consumer skepticism regarding environmental claims
- ◊ Difficulty in measuring environmental impact
- ◊ Lack of consumer awareness in some markets
- ◊ Risk of greenwashing

Organisations must ensure transparency and authenticity in their green marketing efforts to maintain consumer trust. Growing environmental awareness, regulatory pressures and changing consumer preferences have encouraged organisations to adopt sustainable marketing practices. Successful organisations increasingly recognise that sustainability is not only an ethical responsibility but also a key driver of long-term business success.

4.1.4 Green Products

A green product is a product developed to deliver consumer value while causing minimal harm to the environment throughout its life cycle. Its environmental considerations begin with the selection of raw materials and extend through manufacturing, packaging, transportation, consumption and end-of-life disposal. Green products are designed to promote resource conservation, energy efficiency, waste reduction and pollution prevention.

4.1.4.1 Types of Green Products

Green products can be classified according to the primary environmental benefit they offer and the ways in which they reduce environmental impact across the product life cycle. The major types include:

1. Energy-Efficient Products

Energy-efficient products are designed to deliver the required level of performance while consuming less energy, thereby reducing energy use and associated environmental impacts. For example, LED bulbs, 5-star rated refrigerators and air conditioners consume less electricity than conventional alternatives.

2. Water-Efficient Products

Water-efficient products are developed to reduce water consumption while maintaining their intended functionality, thereby supporting the conservation of

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freshwater resources. Examples include low-flow taps, water-efficient washing machines and dual-flush toilets.

3. Recycled Products

Recycled products incorporate materials recovered from previously used products or waste, while recyclable products are designed so that their materials can be recovered and processed for further use after disposal. For example, furniture made from recycled plastic and packaging made from recyclable paper help reduce dependence on materials and waste generation.

4. Biodegradable Products

Biodegradable products are made from materials that can break down naturally through biological processes under suitable environmental conditions, thereby reducing the persistence of waste in the environment. Some examples are biodegradable food containers, bags and certain packaging materials.

5. Low-Pollution Products

Low-pollution products are designed to reduce harmful emissions, toxic substances or other pollutants during production, use or disposal. For example, low-VOC paints and water-based coatings can reduce the release of harmful substances compared with certain conventional alternatives.

6. Durable Products

Durable products are designed to remain functional and perform effectively for an extended period, reducing the need for frequent replacement and the associated consumption of materials and energy. Examples include long-lasting appliances and durable furniture.

7. Electric and Alternative-Fuel Products

These products use electricity or alternative energy sources instead of conventional fossil-fuel-based energy, potentially reducing emissions and dependence on petroleum-based fuels. Examples include electric cars, electric scooters, electric buses, battery-powered delivery vehicles and solar-powered appliances.

8. Eco-Friendly Packaging Products

Eco-friendly packaging is designed to reduce material use, waste and environmental impact associated with packaging. Examples include paper-based packaging, recycled cardboard boxes, reusable packaging containers and packaging designed with reduced material content.

Case Study

Tata Motors and Electric Vehicles

The automobile industry is undergoing a significant transition towards sustainable mobility as concerns over carbon emissions, dependence on fossil fuels and

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environmental degradation influence consumer preferences and government policies. Against this backdrop, Tata Motors entered the passenger electric vehicle (EV) segment with the Nexon EV in 2020 and gradually expanded its portfolio with models such as the Tiago EV, Tigor EV and Punch EV.

Tata Motors adopted a green marketing approach that positioned electric vehicles not merely as environmentally friendly alternatives to conventional vehicles but as a combination of sustainability, technology, performance, safety, affordability and convenience. Through digital marketing campaigns, product demonstrations, test drives and experiential marketing, the company sought to create awareness and encourage consumers to consider EVs as a practical alternative for everyday mobility.

However, increasing EV adoption presented several challenges. Limited charging infrastructure, concerns about battery life and resale value, higher initial purchase costs and rapidly evolving EV technology created uncertainty among potential buyers. Tata Motors therefore focused not only on vehicle promotion but also on strengthening the broader EV ownership experience. The company supported the development of charging infrastructure and collaborated with partners to improve charging accessibility and other ownership-related services.

Despite these efforts, the transition from conventional vehicles to EVs remained challenging among mainstream consumers. Consumers continued to evaluate EVs in terms of total cost of ownership, driving range, charging convenience, performance, safety, after-sales support and long-term reliability. At the same time, increasing competition and technological developments required Tata Motors to continuously strengthen its value proposition and differentiate its EV offerings.

The effectiveness of Tata Motors' green marketing strategy therefore depends on its ability to move beyond communicating environmental benefits and address the practical and economic concerns that influence consumer adoption.

Question

As a Marketing Manager at Tata Motors, critically evaluate the company's green marketing strategy for electric vehicles. Based on your analysis, recommend two marketing measures that could accelerate EV adoption among mainstream consumers

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Summarised Overview

Marketing has evolved from a predominantly product and sales-oriented function into a strategic activity that responds to changing markets, consumer expectations and wider societal concerns. Global marketing enables organisations to extend their operations beyond domestic markets, serve diverse customer segments, build international brand presence, and leverage opportunities across countries. However, operating in international markets also requires organisations

to respond effectively to differences in culture, consumer behaviour, legal and regulatory systems, economic conditions, and competitive environments.

The growing recognition of marketing's wider social role has contributed to the development of social marketing, which applies marketing principles to encourage behaviours that contribute to individual and societal well-being. Initiatives related to health awareness, road safety, environmental protection, public welfare, and responsible consumption demonstrate how marketing can be used not only to achieve organisational objectives but also to address important social issues.

Green marketing represents another significant development in contemporary marketing, driven by increasing environmental awareness and the need for sustainable business practices. It involves incorporating environmental considerations into product development, pricing, promotion, distribution, packaging, and other marketing decisions. Products may be designed to reduce resource consumption, minimise waste, improve energy efficiency, or support reuse and recycling. However, effective green marketing requires genuine environmental responsibility rather than merely communicating environmentally favourable claims.

Organisations are increasingly expected to balance market opportunities and business objectives with cultural sensitivity, social responsibility and environmental sustainability. By adopting these approaches strategically, organisations can strengthen competitiveness, build stakeholder trust, create long-term customer value and contribute positively to society and the environment



Self-Assessment Questions

1. Define global marketing and explain its significance in the contemporary business environment.
2. Discuss the importance of global marketing for business organisations.
3. Explain the major benefits and limitations of global marketing.
4. What is social marketing? How does it differ from traditional commercial marketing?
5. Discuss the major elements that constitute a social marketing strategy.
6. Define green marketing and discuss its relevance in modern business.
7. Explain the major strategies used in green marketing.

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8. What are green products? Discuss their key characteristics.

9. Analyse the role of green marketing in achieving sustainable business development.

Assignments

1. Examine the opportunities and challenges associated with global marketing and evaluate its contribution to organisational growth and international business development.

2. Discuss the role of social marketing and green marketing in promoting sustainable development, consumer welfare and responsible business practices with suitable examples.

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Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

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Unit 2

Digital and Strategic Marketing

Learning Outcomes

After completing this unit, learner will be able to:

- ◊ explain the concepts and significance of digital marketing.
- ◊ analyse major digital marketing strategies.
- ◊ explain the concepts of affiliate and relationship marketing.
- ◊ explain the concepts of synchro marketing
- ◊ evaluate contemporary strategic marketing approaches

Background

Technological advancements and changing consumer behaviour have transformed the marketing. The marketing environment has undergone profound changes in response to technological development, globalisation, changing consumer expectations and intensifying competition. Organisations today operate in markets where customers have greater access to information and a wider range of choices. As a result, businesses can no longer depend solely on traditional methods of communicating with and persuading customers. They need to continuously adapt their marketing strategies to remain relevant and competitive.

Marketing communication has gradually evolved from predominantly one-way communication towards more interactive, participative and personalised forms of engagement. Customers are not only recipients of marketing messages but also actively search for information, share opinions, create content and influence the experiences of other consumers. This has increased the importance of customer engagement, responsiveness and relationship building in marketing. Marketing therefore extends beyond the simple promotion of products and

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services to encompass the management of customer experiences, interactions, relationships and perceptions throughout the customer journey.

This unit provides an overview of the evolving nature of contemporary marketing and the diverse approaches available to organisations in the modern business environment. It develops an understanding of how technology, creativity, communication and relationship management have expanded the scope of marketing and examines their relevance in achieving organisational and customer-oriented objectives.



Keywords

Digital Marketing, Viral Marketing, Meta Marketing, Telemarketing, Affiliate Marketing, Relationship Marketing, Synchro Marketing, Demarketing, Remarketing, Guerrilla Marketing



Discussion

4.2.1 Online Marketing

The growth of internet connectivity and digital platforms has fundamentally changed the way organisations communicate with customers. Marketing is no longer restricted to physical stores, print advertisements, television, radio, or outdoor media. Businesses can now reach customers through websites, search engines, social networks, email, mobile applications, and other digital touchpoints. This shift has given rise to online marketing, which enables organisations to communicate with, engage, and influence consumers in the digital environment.

Online marketing refers to the use of internet-based platforms and digital technologies to promote products, services, brands, or ideas and to build relationships with customers. It involves activities designed to attract potential customers, generate interest, encourage interaction, facilitate purchase, and maintain customer relationships. Search engine optimisation, paid search advertising, websites, content, social media, email, display advertising, and affiliate programmes are among the commonly used online marketing approaches.

A major characteristic of online marketing is its targeting and measurability. Digital platforms allow marketers to identify specific audience groups based on factors such as interests, online behaviour, location, demographics, and previous interactions with a brand. Marketers can also monitor indicators such as website visits, clicks, engagement,

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conversions, and customer acquisition costs. The information generated from these activities enables campaigns to be evaluated and modified while they are running. For example, a person searching online for professional cameras may encounter advertisements or relevant content from Canon. If the user clicks the advertisement, the marketer can direct the individual to a product page containing detailed specifications, prices, reviews and purchase options. The organisation can subsequently measure the user's interaction with the advertisement and website. This creates a more traceable connection between marketing communication and customer response.

Online marketing also provides businesses with opportunities to operate at different scales. A small business can establish a website and social media presence with comparatively limited resources, while a large organisation can operate sophisticated digital campaigns across multiple markets. The ability to select specific audiences and control campaign budgets makes online marketing particularly useful for businesses seeking efficient customer acquisition and market expansion.

Another important feature is the interactive nature of digital communication. Traditional advertising generally follows a one-way communication model, whereas online marketing allows customers to respond through comments, reviews, shares, messages, enquiries, and purchases. This interaction provides marketers with valuable insights into consumer preferences and helps organisations develop more customer-oriented strategies.

4.2.2 Online Marketing Strategies

Online marketing is not a single promotional activity but a combination of interconnected digital strategies. Each strategy serves a different purpose, such as improving visibility, attracting visitors, communicating value, generating leads, encouraging purchases, or strengthening customer relationships. The choice and combination of strategies should therefore be based on the organisation's objectives, target audience, industry, and available resources.

1. Search Engine Optimisation (SEO)

Search Engine Optimisation refers to the systematic improvement of a website and its content so that it can achieve greater visibility in organic search engine results. When consumers search for information, products, or solutions online, appearing prominently in relevant results can increase the likelihood of attracting visitors.

SEO involves activities such as creating useful content, selecting relevant search terms, improving website structure, enhancing page performance and establishing credible links. Unlike paid advertising, organic search visibility is not purchased on a per-click basis. However, SEO requires continuous effort and its results generally develop over time.

2. Pay-Per-Click Advertising (PPC)

Pay-Per-Click advertising is a paid digital advertising method in which an advertiser is charged when a user clicks on an advertisement. Search engines and other digital

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platforms display advertisements based on factors such as search queries, audience characteristics, interests and advertiser bids.

PPC can generate targeted traffic relatively quickly and allows marketers to control budgets, select audiences, test advertisements and monitor campaign performance. Unlike SEO, however, the traffic generated through PPC generally stops when the advertising campaign or budget ends.

3. Website Marketing

A company's website functions as a central digital touchpoint through which customers can learn about the organisation, evaluate its offerings, communicate with the business and, in many cases, complete a purchase. A professionally designed website should provide clear information, intuitive navigation, mobile compatibility, fast loading, relevant calls to action and secure transaction facilities where applicable. Product descriptions, reviews, frequently asked questions, contact facilities and personalised recommendations can further assist consumers during the decision-making process.

4. Social Media Marketing

Social media marketing involves using social networking platforms to create awareness, engage audiences, communicate with customers, and promote products or services. Its distinctive feature is the opportunity for two-way interaction between brands and consumers.

Organisations can use social media for organic content, paid advertising, product launches, customer service, community building, influencer collaborations, contests, and consumer feedback. Social media analytics also provides insights into audience engagement and content performance, helping marketers refine their strategies.

5. Email Marketing

Email marketing involves sending permission-based and targeted communications to customers or prospects. These communications may include product information, newsletters, personalised recommendations, event invitations, service updates, and promotional offers.

Email is particularly useful for nurturing existing relationships because organisations can segment subscribers according to their interests, purchase history, engagement, or stage in the customer journey. Automated messages, such as welcome emails, abandoned-cart reminders, and post-purchase communications, can further support customer retention.

6. Affiliate Marketing

Affiliate marketing is a performance-based marketing approach in which a business works with external partners, known as affiliates, to promote its products or services.

In this approach, the business provides the affiliate with a unique tracking link, code or other identifier. The affiliate promotes the product or service through channels

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such as websites, blogs, social media, videos or email. When a customer responds to the promotion and completes the specified action, the business records the result and provides the affiliate with the agreed commission.

For example, a technology website may review a smartphone and provide an affiliate link through which readers can purchase the product. If a qualifying purchase occurs through that link, the affiliate may receive a commission. The model enables businesses to extend their reach through external partners while linking marketing expenditure to measurable results.

The effectiveness of online marketing does not depend on selecting one strategy in isolation. The different approaches can work together across the customer journey. For example, SEO may attract a consumer searching for information, content marketing may educate the visitor, the website may facilitate evaluation, social media may strengthen engagement and email marketing may support retention. Therefore, organisations should select and integrate online marketing strategies according to their marketing objectives, customer behaviour, budget, industry characteristics and performance measures.

4.2.2.1 Benefits of Online Marketing

Online marketing has become an important component of contemporary marketing because it enables organisations to reach customers through the digital environments they regularly use. Its major benefits include the following.

i. **Wider Market Reach:** Digital platforms allow businesses to communicate with audiences beyond their immediate geographical markets. A website, social media account, or digital advertising campaign can introduce a business to customers across different regions and countries, without requiring a physical presence in every market.

ii. **Cost Efficiency:** Online marketing can be more economical than several traditional promotional methods, particularly for businesses with limited marketing budgets. Digital campaigns can be targeted towards specific audience groups, allowing organisations to allocate resources more selectively. However, cost effectiveness depends on the quality of strategy, content, targeting, and execution.

iii. **Measurable Performance:** A major advantage of digital marketing is the availability of real-time and detailed performance data. Marketers can monitor indicators such as impressions, website traffic, engagement, clicks, leads, conversions and customer acquisition costs. These insights help organisations evaluate campaigns and make evidence-based adjustments.

iv. **Personalised Communication:** Digital technologies enable organisations to tailor marketing communication according to customer characteristics and behaviour. Information such as previous purchases, browsing activity, preferences, and engagement can be used to provide more relevant recommendations and messages, subject to applicable privacy requirements.

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v. **Access to New Customer Segments:** Online platforms reduce geographical and communication barriers, allowing businesses to explore new customer segments and markets. A small or emerging business can use digital channels to establish visibility among audiences that may be difficult to reach through conventional local marketing.

vi. **Better Optimisation:** Online campaigns can be modified relatively quickly based on performance data. Marketers can test different messages, creative formats, audience segments, or landing pages and allocate resources towards better-performing alternatives. This flexibility supports continuous improvement.

4.2.2.2 Limitations of Online Marketing

Despite its advantages, online marketing also presents managerial, technological and ethical challenges. The major limitations are as follows.

i. **Requirement for Specialised Skills:** Effective online marketing requires knowledge of areas such as search optimisation, content development, advertising platforms, social media management and data interpretation. Since digital technologies evolve rapidly, organisations must continuously update employee skills and capabilities.

ii. **Intense Competition:** The accessibility of digital platforms has lowered the barriers to entry for marketers. As a result, consumers are exposed to a large volume of advertisements, content and competing brands. Organisations must therefore develop distinctive value propositions and relevant content to gain and retain consumer attention.

iii. **Reputation Risk:** Digital platforms make customer opinions highly visible. Negative reviews, complaints and misleading content can spread rapidly and affect brand reputation. Organisations therefore need effective systems for monitoring feedback and responding professionally.

iv. **Privacy and Data Protection Concerns:** Online marketing frequently involves the collection and processing of customer information. Organisations must handle such data responsibly and comply with applicable privacy and data-protection requirements. Improper use of personal information can result in loss of customer trust as well as legal and financial consequences.

4.2.3 Viral Marketing

As digital platforms connect millions of users in real time, marketing communication no longer depends solely on paid advertisements. Consumers themselves can become carriers of a brand message by sharing content with their networks. This phenomenon is known as viral marketing.

Viral marketing refers to a strategy in which a marketing message spreads rapidly from person to person through online and social networks. The objective is to encourage individuals to voluntarily share content, thereby multiplying the reach of the campaign

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at a relatively low cost. A viral campaign may include videos, memes, challenges, stories, contests, emotional advertisements, or interactive content that people find entertaining, surprising, useful, or emotionally engaging. The power of viral marketing lies in its ability to generate massive exposure through user sharing rather than through continuous advertising expenditure.

4.2.3.1 Advantages of Viral Marketing

Viral marketing can provide organisations with substantial promotional value when consumers actively participate in distributing the content. Its major advantages are as follows:

i. **Extensive Market Exposure:** Viral content can move rapidly across digital networks and reach audiences beyond the organisation's existing customer base. A campaign that gains sufficient momentum can achieve visibility across different regions and market segments within a short period.

ii. **Active Consumer Participation:** Viral marketing transforms consumers into participants in the communication process. Sharing, commenting, creating responses and participating in challenges can generate deeper interaction with the brand.

iii. **Stronger Brand Visibility:** Repeated exposure through multiple personal and social networks can increase brand recognition. When content is consistently associated with the brand, viral activity can contribute to greater awareness and recall.

iv. **Potential for Organic Growth:** A successful viral campaign can generate a self-reinforcing cycle in which one user's interaction exposes the content to additional users, who may then share it further. This can create substantial organic momentum without proportional increases in promotional spending.

4.2.3.2 Risks of Viral Marketing

Viral marketing can generate rapid visibility, but its dependence on consumer participation also creates significant managerial risks. The major limitations are as follows:

i. **Limited Control Over the Message:** Once content enters the public domain, consumers can reinterpret, edit, parody, or criticise it. The organisation may therefore lose control over how the message is presented and perceived.

ii. **Temporary Attention:** Viral content often attracts intense interest for a short period. As new trends and competing content emerge, audience attention can decline rapidly, limiting the campaign's long-term impact.

iii. **Risk of Negative Virality:** The same networks that spread positive messages can rapidly amplify criticism, controversy, misinformation, or consumer complaints. An inappropriate or poorly designed campaign can therefore damage brand reputation.

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iv. **Weak Link Between Engagement and Sales:** High numbers of views, likes, comments, or shares do not necessarily translate into purchases. Viral success may create awareness without producing corresponding improvements in sales, customer retention, or profitability.

4.2.4 Meta Marketing

Meta marketing, often described as "marketing about marketing," refers to a higher-level approach that examines, evaluates and improves the marketing process itself. Rather than focusing only on the promotion of products or services, it considers how marketing strategies, techniques, channels, technologies and communication methods can be designed and managed to achieve greater effectiveness.

The concept involves a systematic assessment of marketing activities to understand what works, why it works, and how it can be improved. It considers factors such as marketing campaigns, consumer behaviour, market trends, communication channels, targeting methods and emerging technologies. By examining these elements collectively, organisations can identify patterns, recognise opportunities, and make informed improvements to their marketing practices.

An important feature of meta marketing is its continuous and reflective nature. Marketers are encouraged to question existing assumptions, assess the effectiveness of established practices and respond proactively to changes in markets and consumer behaviour. This encourages innovation and supports evidence-based decision-making.

The ultimate objective of meta marketing is to enhance the overall effectiveness and efficiency of marketing activities. By continuously analysing and improving the marketing process, organisations can achieve better resource utilisation, stronger alignment with customer needs and higher returns on marketing investments. In addition, the reflective nature of meta marketing supports continuous learning and enables organisations to adapt their marketing practices to changing market conditions.

Despite its benefits, meta marketing has certain limitations. Evaluating the overall effectiveness of marketing practices can be complex. The marketing outcomes are influenced by several internal and external factors and cannot always be attributed to a single activity. The process may also require considerable time, expertise, data and technological resources, particularly when organisations analyse multiple campaigns, channels and customer segments. Consequently, meta marketing is most effective when analytical evaluation is combined with managerial judgement, creativity and continuous experimentation.

4.2.5 Telemarketing

Telemarketing is a form of direct marketing in which organisations use telephone-based communication to interact with customers and prospects. Telemarketing allows a more individualised conversation in which the organisation can present an offering, understand customer requirements, respond to questions and seek an immediate response.

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Its relevance extends across sectors such as banking, insurance, telecommunications, education, healthcare, retail, and e-commerce.

For example, an insurance company may contact an existing customer to explain a suitable policy renewal option. During the conversation, the representative can answer questions, understand the customer's requirements, and guide the customer towards an appropriate decision.

4.2.5.1 Types of Telemarketing

1. Inbound Telemarketing

Inbound telemarketing takes place when the customer initiates the communication. Customers may contact an organisation to enquire about products, place orders, request assistance, make complaints, or obtain information.

Examples: Customer-care helplines, product enquiry lines, order-processing centres, and technical support services.

2. Outbound Telemarketing

Outbound telemarketing occurs when the organisation initiates the telephone contact. Representatives may contact existing or prospective customers to generate leads, introduce products, conduct surveys, renew services, arrange appointments, or pursue sales opportunities.

Example: A financial services company contacting eligible customers to explain a newly introduced investment service.

4.2.5.2 Advantages of Telemarketing

i. **Personalised Interaction:** Telephone conversations allow organisations to tailor their communication according to individual customer needs.

ii. **Immediate Feedback:** Customers can respond instantly, enabling marketers to understand their reactions, preferences, and objections.

iii. **Faster Lead Generation:** Organisations can contact a defined group of prospects and identify potential customers within a relatively short period.

iv. **Effective Complaint Handling:** Telemarketing allows representatives to clarify doubts and respond to customer concerns during the interaction.

v. **Wider Customer Contact:** Telephone communication enables organisations to reach customers in different locations without requiring physical meetings.

vi. **Relationship Support:** Regular and relevant telephone communication can assist in customer retention, service follow-up, renewals, and relationship management.

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4.2.5.3 Limitations of Telemarketing

i. **Customer Resistance:** Unsolicited calls may be perceived as intrusive, particularly when customers have not expressed an interest in the offering.

ii. **Regulatory and Privacy Constraints:** Telemarketing activities must comply with applicable rules concerning consent, consumer protection, calling practices, and privacy.

iii. **Dependence on Communication Skills:** The success of a telephone interaction depends considerably on the representative's listening ability, product knowledge, tone, clarity, and persuasion skills.

iv. **Limited Non-Verbal Communication:** Telephone conversations lack many visual cues available in face-to-face interactions, making it more difficult for representatives to interpret certain customer responses.

The expansion of digital communication has changed the role of telemarketing, but it has not eliminated its usefulness. Telemarketing continues to be relevant where personal interaction, explanation, negotiation, or immediate assistance forms an important part of the customer decision-making process. It is particularly valuable for products and services that involve higher customer involvement or require clarification before purchase.

Modern organisations increasingly use telemarketing as part of an integrated customer engagement system rather than as an independent promotional activity. For instance, a customer who submits an enquiry through a website or responds to a digital advertisement may subsequently receive a telephone call from a sales representative who provides additional information and assists with the next stage of the purchase process.

4.2.6 Affiliate Marketing

Affiliate marketing is a performance-based digital marketing strategy in which an organisation partners with individuals, content creators, publishers, or other businesses to promote its products or services. The affiliate earns a commission when the promotion generates a predefined outcome, such as a sale, lead, registration, or enquiry. Affiliates may use websites, blogs, social media, videos, email, or other digital channels to reach their audiences. For example, a technology blogger may review a smartphone and provide a referral link. A commission may be earned when a reader purchases the smartphone through that link.

4.2.6.1 Advantages of Affiliate Marketing

For Organisations:

i. Links marketing expenditure to measurable outcomes.

ii. Extends reach to new audiences and markets.

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iii. Increases product and brand visibility.

iv. Provides a scalable customer-acquisition channel.

v. Utilises the credibility and influence of relevant affiliates.

For Affiliates:

i. Creates an opportunity to earn commission without developing products.

ii. Requires relatively low initial investment.

iii. Provides flexibility in selecting products relevant to their audience.

iv. Offers potential for income growth as audience reach increases.

4.2.6.2 Limitations of Affiliate Marketing

i. Organisations have limited control over affiliate content and promotional practices.

ii. Fake clicks, fraudulent leads and attribution issues can occur.

iii. Results depend heavily on the affiliate's audience quality and ability to influence purchasing decisions.

The growth of e-commerce, social media creators, online reviews and content-based purchasing has increased the relevance of affiliate marketing. It enables businesses to leverage trusted third-party audiences while compensating partners according to performance.

4.2.7 Relationship Marketing

Relationship marketing is a strategic approach that focuses on developing and sustaining mutually valuable relationships with customers over the long term. It emphasises trust, satisfaction, personalised interaction, service quality and customer loyalty rather than treating each purchase as an isolated transaction.

Relationship marketing involves systematically developing interactions that encourage customers to remain connected with an organisation. It aims to increase customer retention and lifetime value by consistently delivering relevant experiences and responding to customer needs.

4.2.7.1 Objectives of Relationship Marketing

The major objectives are to:

◊ Develop customer loyalty and retention.

◊ Increase repeat purchases.

◊ Improve customer satisfaction.

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- ◊ Strengthen trust and commitment.
- ◊ Increase customer lifetime value.
- ◊ Encourage positive word-of-mouth.
- ◊ Build sustainable customer relationships.

4.2.7.2 Advantages of Relationship Marketing

i. **Higher Customer Retention:** Strong relationships encourage customers to remain with the organisation.

ii. **Lower Acquisition Pressure:** Retaining customers can reduce the need to rely continuously on new-customer acquisition.

iii. **Positive Word-of-Mouth:** Satisfied customers may recommend the organisation to others.

iv. **Better Customer Insights:** Ongoing interactions provide information about customer preferences and expectations.

4.2.7.3 Limitations of Relationship Marketing

i. **Requires Continuous Investment:** Maintaining meaningful relationships demands sustained organisational effort.

ii. **Cost of Personalisation:** Data management and customised communication may increase operating costs.

iii. **Data and Privacy Concerns:** Personalised relationship management requires responsible handling of customer information.

4.2.8 Synchro Marketing

Demand for many products and services varies across time, seasons, locations and usage periods. These fluctuations can create overcrowding during peak periods and underutilisation during low-demand periods. Synchro marketing addresses this imbalance by influencing the timing and pattern of demand to bring it closer to the organisation's available capacity.

Synchro marketing is a demand-management approach that seeks to align customer demand with available supply or operating capacity. Instead of focusing simply on increasing or reducing total demand, the organisation attempts to shift demand from high-pressure periods to periods when resources are underutilised. Example: A hotel may offer lower weekday room rates to attract customers when occupancy is normally low, thereby distributing demand more evenly across the week.

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4.2.8.1 Strategies of Synchro Marketing

i. **Differential Pricing:** Organisations vary prices according to demand levels, time periods, or usage patterns. Higher prices may be applied during peak periods, while lower prices can encourage customers to shift their purchases to periods of lower demand.

ii. **Off-Peak Promotions:** Special discounts, promotional offers and attractive packages are introduced during low-demand periods to increase customer usage and improve the utilisation of available capacity.

iii. **Flexible Scheduling:** Customers are provided with alternative service times, appointment slots, delivery schedules, or booking options. This enables organisations to distribute demand more evenly and reduce pressure during peak periods.

iv. **Product and Service Bundling:** Complementary products or services are combined into attractive packages to stimulate demand during periods of low utilisation. Bundling can increase perceived customer value while helping organisations make better use of available resources.

v. **Advance Booking:** Organisations encourage customers to make reservations or purchases in advance through early-bird offers, discounts, or guaranteed availability. This improves demand forecasting and allows resources, staff, inventory, and capacity to be planned more effectively.

4.2.8.2 Advantages of Synchro Marketing

i. **Improves Capacity Utilisation:** Makes better use of resources during low-demand periods.

ii. **Reduces Peak-Time Pressure:** Helps distribute demand more evenly.

iii. **Enhances Operational Efficiency:** Supports better planning of employees, facilities, and inventory.

iv. **Provides Customer Flexibility:** Offers customers alternative times, prices, or service options.

4.2.8.3 Limitations of Synchro Marketing

i. **Limited Consumer Response:** Customers may not change their preferred consumption time despite incentives.

ii. **Pricing Complexity:** Frequent variations in prices can make pricing structures difficult for customers to understand.

iii. **External Influences:** Weather, economic conditions, events, and other external factors can disrupt demand patterns.

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iv. **Implementation Costs:** Managing dynamic pricing, promotions, and capacity planning may require additional technology and resources.

Synchro marketing is particularly relevant to capacity-constrained and seasonal businesses where demand varies considerably over time. Its purpose is to achieve a better match between when customers want the service and when the organisation has the capacity to provide it. Effective synchro marketing can therefore improve resource utilisation, customer convenience, and overall operational performance.

4.2.9 Demarketing

Marketing is generally associated with stimulating demand, but organisations may sometimes need to discourage or regulate consumption. This approach is known as demarketing. It is used when demand exceeds available capacity, resources are scarce, consumption creates social or environmental concerns, or an organisation deliberately wants to restrict access to an offering.

Demarketing involves the planned use of marketing measures to reduce, restrict, or redirect demand. The reduction may apply to the entire market, a particular customer segment, or a specific period. It may be initiated by businesses, governments, or public institutions.

4.2.9.1 Reasons for Demarketing

Organisations may use demarketing to:

- ◊ Control demand when it exceeds available capacity.
- ◊ Conserve scarce resources.
- ◊ Reduce socially harmful consumption.
- ◊ Protect environmental resources.
- ◊ Maintain product scarcity or exclusivity.
- ◊ Manage demand during peak periods.

4.2.9.2 Types of Demarketing

1. General Demarketing

General demarketing seeks to reduce demand across the overall market. It is commonly used when excessive consumption creates shortages or social costs. Example: A public campaign encouraging households to reduce water consumption during a severe drought.

2. Selective Demarketing

Selective demarketing aims to reduce demand from particular customer segments rather than the entire market. Organisations may use it when certain customers are less

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compatible with their positioning, capacity, or strategic objectives. Example: A premium brand may limit mass-market distribution to preserve its exclusive positioning.

3. Ostensible Demarketing

Ostensible demarketing involves creating or emphasising an impression of scarcity or restricted availability, which can actually increase the perceived attractiveness of the offering. Limited-edition products and invitation-only memberships are common examples.

4.2.9.3 Advantages of Demarketing

i. **Controls Excess Demand:** Helps organisations manage situations where demand exceeds capacity.

ii. **Conserves Resources:** Supports responsible use of scarce natural and organisational resources.

iii. **Supports Sustainability:** Can reduce excessive consumption and environmental pressure.

iv. **Protects Brand Exclusivity:** Limited access can support premium positioning.

v. **Improves Capacity Management:** Helps organisations regulate demand during congested periods.

4.2.9.4 Limitations of Demarketing

i. **Possible Revenue Reduction:** Deliberately reducing demand may lower short-term sales.

ii. **Customer Dissatisfaction:** Restrictions or higher prices may frustrate existing customers.

iii. **Competitive Risk:** Discouraged customers may move to alternative providers.

iv. **Communication Challenges:** Organisations must clearly explain why demand is being restricted to avoid damaging customer trust.

4.2.10 Remarketing

Remarketing is a digital marketing technique that targets people who have previously interacted with a brand through its website, application, social media, or other digital channels. Based on permitted customer or behavioural data, organisations can deliver relevant follow-up communication through digital advertising or other channels.

Remarketing focuses on re-engaging an existing audience rather than reaching completely new prospects. For example, a customer who views a pair of shoes on an e-commerce website but leaves without purchasing may later receive a relevant advertisement reminding them about the product. Remarketing is most effective when

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it is relevant and able to provide timely communication that assists customers in progressing through their decision-making journey.

4.2.10.1 Advantages of Remarketing

i. **Improves Conversion Opportunities:** Re-engages consumers who have already shown interest.

ii. **Strengthens Brand Recall:** Keeps the organisation visible during the customer's decision-making process.

iii. **Enables Relevant Targeting:** Messages can be based on previous interactions and interests.

iv. **Supports Advertising Efficiency:** Focuses promotional efforts on audiences with demonstrated interest.

4.2.10.2 Limitations of Remarketing

i. **Ad Fatigue:** Repeated advertisements may irritate or discourage customers.

ii. **Regulatory Constraints:** Privacy and data-protection requirements can restrict tracking and targeting practices.

iii. **Limited Incremental Impact:** A consumer who was already likely to purchase may not have needed the remarketing advertisement to complete the purchase.

4.2.11 Guerrilla Marketing

In crowded markets, conventional advertising may struggle to capture consumer attention, particularly when smaller organisations cannot compete with the budgets of large brands. Guerrilla marketing addresses this challenge by using creativity, surprise and unconventional promotional methods to create high visibility with relatively limited resources.

The concept was popularised by Jay Conrad Levinson, who emphasised achieving marketing impact through imagination and innovation rather than relying primarily on large advertising budgets.

Guerrilla marketing is an unconventional promotional approach that uses unexpected, attention-grabbing and often interactive activities to create memorable brand experiences. These activities may take place in public spaces, at events, or through digital and social media channels. Its effectiveness depends on the ability of the campaign to generate surprise, curiosity, participation, conversation and word-of-mouth.

For example: KitKat used public benches to resemble its chocolate bars, creating a visual connection with its famous tagline, "Have a Break, Have a KitKat." By placing the advertisement in a location where people naturally stop and take a break, the campaign turned an ordinary public space into an engaging brand communication medium.

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4.2.11.1 Advantages of Guerrilla Marketing

i. **High Engagement:** Encourages consumers to interact with the brand.

ii. **Strong Brand Recall:** Unusual experiences are more likely to remain memorable.

iii. **Organic Publicity:** Successful campaigns can receive additional exposure through social sharing and media coverage.

iv. **Competitive Differentiation:** Helps brands distinguish themselves in highly competitive markets.

4.2.11.2 Limitations of Guerrilla Marketing

i. **Message Misinterpretation:** Creative campaigns may be misunderstood or interpreted differently from the intended message.

ii. **Reputation Risk:** A controversial idea can generate negative publicity as quickly as positive attention.

iii. **Legal and Ethical Concerns:** Public-space activities may require permissions and must comply with applicable regulations.

Guerrilla marketing demonstrates that marketing impact is not determined solely by advertising expenditure. A well-conceived idea can generate substantial attention through surprise, participation and word-of-mouth. However, managers must balance creativity with brand relevance, legal compliance, ethical consideration, and potential reputational consequences.

4.2.12 Ambush Marketing

Major sporting, cultural and entertainment events attract large audiences and extensive media attention, making them valuable promotional opportunities for brands. While official sponsors pay for the right to associate themselves with an event, other organisations may attempt to gain similar attention without becoming official sponsors. This practice is known as ambush marketing.

Ambush marketing is a strategy in which a brand seeks to benefit from the visibility and public interest surrounding an event without holding official sponsorship rights. It attempts to establish an association with the event in the minds of consumers while avoiding the full cost of formal sponsorship.

Ambush marketing involves creating a direct, indirect, or implied connection with a high-profile event without being an authorised sponsor. The organisation may use advertising, promotional activities, event-related themes, or creative messaging to attract the attention generated by the event. This practice can increase brand visibility, but it is controversial because it may weaken the commercial value of sponsorship rights purchased by official sponsors.

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4.2.12.1 Advantages of Ambush Marketing

i. **High Visibility:** Provides access to the attention surrounding major events.

ii. **Cost Advantage:** May generate event-related publicity without paying official sponsorship fees.

iii. **Brand Awareness:** Can increase recognition among large audiences.

iv. **Creative Differentiation:** Allows brands to use unconventional approaches to compete for consumer attention.

4.2.12.2 Limitations and Ethical Issues

i. **Legal Risk:** Activities may create disputes involving trademarks, intellectual property, advertising rules, or event-protection regulations.

ii. **Sponsor Conflict:** It can reduce the perceived value of investments made by official sponsors.

iii. **Reputational Risk:** The brand may be criticised for benefiting from an event without supporting its sponsorship arrangements.

iv. **Regulatory Restrictions:** Event organisers and authorities may impose measures to protect official sponsorship rights.

Suppose a major international sporting tournament has an official sponsor. A competing company, which is not an official sponsor, launches a marketing campaign during the tournament using themes such as competition, celebration, sporting excellence and athletic achievement. The campaign does not use the tournament's protected name, logo or other official assets but is deliberately designed to attract the attention of the large audience associated with the event. Such an approach can be considered an example of ambush marketing.

Nike's "Find Your Greatness" campaign during the London 2012 Olympics is a well-known example of ambush marketing. Nike was not an official sponsor of the Olympic Games, as Adidas held the official sportswear sponsorship. Nevertheless, Nike launched the campaign around the time of the Olympics, featuring ordinary athletes competing in locations named "London" around the world, including London, Ohio and East London in South Africa. By using the timing and atmosphere of the Games without directly claiming official Olympic sponsorship, Nike sought to capture public attention and strengthen its association with the global sporting event.

Case Study

Dropbox -Turning Customer Referrals into Growth

Dropbox operates in a market where acquiring new users can be expensive and competition among digital service providers is intense. Instead of depending entirely on conventional advertising, Dropbox developed a referral-based growth strategy that encouraged existing users to introduce the service to others. Dropbox incorporated a

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referral mechanism into its service in which existing users could receive additional storage space for successfully referring new users. This created a direct benefit for customers while simultaneously encouraging them to share Dropbox with friends, classmates, colleagues and other potential users.

The strategy created a self-reinforcing cycle, an existing user introduced the service to a new user, the new user joined and potentially became a referrer, and the process could continue through the user's own network. In this way, customer participation became an important part of Dropbox's customer-acquisition strategy. The effectiveness of the approach was based on three elements: a clear customer incentive, ease of referral, and the natural relevance of the product to social and professional networks. Users had a practical reason to recommend the service, while Dropbox benefited from acquiring users through existing customer networks.

Managerial Challenge

Although referral programmes can accelerate customer acquisition, managers must ensure that incentives do not encourage low-quality or artificial referrals. The organisation must also evaluate whether referred users remain active and generate sufficient long-term value to justify the incentive provided. As the customer base expands, maintaining referral effectiveness while controlling acquisition costs can become an important managerial challenge.

Strategic Significance

A product or service itself can become a vehicle for customer-driven growth when the organisation creates an effective mechanism that encourages users to recommend it to others. By combining customer incentives with an easy referral can transform existing customers into active participants in marketing and customer acquisition.

Questions

1. Assume you are the Marketing Manager of Dropbox. Based on the case, design a viral marketing campaign that uses existing customers to acquire new users. Specify the incentive, target audience, communication mechanism for encouraging referrals.

2. Dropbox's referral strategy generated rapid customer acquisition. As a marketing manager, analyse the factors that could determine whether the referral programme continues to be effective as the customer base expands. Suggest suitable measures to improve the programme while maintaining customer engagement and controlling promotional costs.

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Summarised Overview

The contemporary marketing environment has evolved significantly due to technological advancement, digital transformation and increasing competition. Marketing is no longer limited to promoting products and generating sales, it has become a broader strategic function concerned with creating customer value, building relationships and achieving sustainable business growth. Digital approaches such as online marketing, viral marketing, telemarketing, affiliate marketing and remarketing provide organisations with diverse ways to reach, engage and retain customers. At the same time, strategic approaches such as meta marketing, relationship marketing, synchro marketing, demarketing, and green marketing enable organisations to respond to customer expectations, stakeholder interests, environmental concerns, and changing demand conditions.

Innovative approaches such as guerrilla marketing and ambush marketing demonstrate how creativity and strategic thinking can help organisations gain attention and differentiate themselves in competitive markets. These approaches also highlight the importance of considering ethical, legal and reputational implications when developing marketing strategies.

Overall, this unit demonstrates that modern marketing is an integrated and dynamic process. The successful application of these approaches enables organisations to strengthen customer engagement, build competitive advantage and create long-term value for both the organisation and its stakeholders.

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Self-Assessment Questions

1. What is digital marketing?
2. Define viral marketing
3. Distinguish between inbound telemarketing and outbound telemarketing.
4. What is affiliate marketing?
5. Discuss the objectives and importance of relationship marketing.
6. Explain the different types of Green Product?
7. Explain the concept of synchro marketing with suitable examples.
8. What is demarketing?

9. What are the advantages of remarketing.

10. Discuss the concept of guerrilla marketing.

Assignments

1. Analyse how digital marketing strategies have transformed the relationship between organisations and customers in the contemporary business environment.

2. Examine any two strategic marketing approaches discussed in this unit and evaluate their suitability for organisations operating in highly competitive markets.

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Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

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Model Question Paper Sets

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MODEL QUESTION PAPER (SET- 01)

QP CODE: …… Reg. No:.....

Name: ……

SECOND SEMESTER – MASTER OF BUSINESS ADMINISTRATION (MBA) EXAMINATION

DISCIPLINE CORE COURSE

M25BS07DC – MARKETING MANAGEMENT

POST-GRADUATE PROGRAMME (PG)

2025–26 Admission

Time: 3 Hours Max. Marks: 70

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Section A

(Answer any 5 questions. Each question carries 2 marks.)

(5 × 2 = 10)

1. Define Product Mix.
2. What is brand equity?
3. Define Marketing Management.
4. State any two objectives of promotion.
5. What is market positioning?
6. Define Guerrilla marketing.
7. What is affiliate marketing?
8. What is meant by environmental scanning?

Section B

(Answer any 6 questions. Each question carries 5 marks.)

(6 × 5 = 30)

9. Explain the major functions of marketing and their contribution to customer value.

10. Describe how micro and macro environmental factors can influence a firm's marketing decisions.

11. Discuss the stages of the product life cycle and indicate the marketing implications of each stage.

12. Explain the major factors that influence pricing decisions.

13. Compare advertising, sales promotion and personal selling as elements of the promotion mix.

14. Explain the major bases of market segmentation with suitable examples.

15. Discuss the factors that influence the choice of distribution channels.

16. Explain how global marketers balance standardisation and local adaptation.

17. Discuss the role of green marketing in developing and communicating environmental value.

18. Explain how relationship marketing contributes to customer retention and long-term organisational performance.

Section C

(Answer any 2 questions. Each question carries 15 marks.)

(2 × 15 = 30)

19. Explain the marketing concept and discuss the role of the marketing mix in creating customer value and achieving organisational objectives.

20. Discuss the major product decisions involved in marketing, with reference to product development, branding, packaging and product mix.

21. Explain the role of segmentation, targeting and positioning in marketing. Discuss how promotion and distribution decisions support the marketing strategy.

22. Discuss the major contemporary trends in marketing, with particular reference to green marketing, and digital marketing.

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MODEL QUESTION PAPER (SET- 02)

QP CODE: …… Reg. No:.....

Name: ……

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DISCIPLINE CORE COURSE

M25BS07DC – MARKETING MANAGEMENT

POST-GRADUATE PROGRAMME (PG)

2025–26 Admission

Time: 3 Hours Max. Marks: 70

Section A

(Answer any 5 questions. Each question carries 2 marks.)

(5 × 2 = 10)

1. What is Sales Promotion?
2. What is Core Product?
3. What is product diversification?
4. Define price skimming.
5. Name any two bases of market segmentation.
6. Mention any two factors in the macro environment.
7. What is Social Marketing?
8. Define Remarketing.

Section B

(Answer any 6 questions. Each question carries 5 marks.)

(6 × 5 = 30)

9. What is Perceived Value Pricing?
10. Explain the stages in the consumer decision-making process.

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11. Discuss the new product development process and explain why new products may fail.

12. Explain the Cost-Based pricing.

13. Explain how promotion and positioning can work together to establish a distinctive brand image.

14. Discuss the major determinants of Consumer Behaviour.

15. Explain the role of targeting in selecting attractive market segments and developing a focused marketing strategy.

16. Explain the concept of global marketing and its key features.

17. Discuss how digital marketing can be used to attract, engage and retain customers.

18. Explain the purpose of synchro marketing and suggest a situation in which an organisation may use it.

Section C

(Answer any 2 questions. Each question carries 15 marks.)

(2 × 15 = 30)

19. Explain the importance of consumer behaviour and customer relationship management in developing a customer-oriented approach.

20. Explain the stages of the product life cycle and discuss the pricing strategies appropriate to the different stages.

21. Explain the different types of marketing channels and discuss the major decisions involved in channel management.

22. Explain the concept of global marketing, its major strategies and limitations.

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സർവ്വകലാശാലാഗീതം

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സ്നേഹദീപ്തിയായ്വിളങ്ങണം
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ബോധരശ്മിയിൽ തിളങ്ങുവാൻ
ജ്ഞാനകേന്ദ്രമേ ജ്വലിക്കണേ

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email:rckollam@sgou.ac.in

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Sreenarayanaguru Open University
Kollam, Kerala Pin- 691601, email: info@sgou.ac.in, www.sgou.ac.in Ph: +91 474 2966841

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