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I MBA II Semester

Subject

MARKETING MANAGEMENT

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UNIT-I

INTRODUCTION

Marketing is about identifying and meeting human and social needs. It is a widely used term to describe the communication between a company and the consumer audience that aims to increase the value of the company or its merchandise or, at its simplest, raises the profile of the company and its products in the public mind. The purpose of marketing is to induce behavioral change in the receptive audience.

The American marketing association most recently defined marketing as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."

Marketing are activities of a company associated with buying and selling a product or service. It includes advertising, selling and delivering products to people. People who work in marketing departments of companies try to get the attention of target audiences by using slogans, packaging design, celebrity endorsements and general media exposure.

Marketing management: according to Philip kotler, "marketing management is the analysis, planning, implementation and control of programmes designed to bring about desired exchanges with target markets for the purpose of achieving organizational objectives.

Importance of marketing management:

Marketing management has gained importance to meet increasing competition and the need for improved methods of distribution to reduce cost and to increase profits. Marketing management today is the most important function in a commercial and business enterprise.

The following are the other factors showing importance of the marketing management:

1. Introduction of new products in the market.
2. Increasing the production of existing products.
3. Reducing cost of sales and distribution.
4. Export market.
5. Development in the means of communication and modes of transportation within and outside the country.
6. Rise in per capita income and demand for more goods by the consumers.

Scope of marketing management

1. ***Setting marketing goals***: the prime task of marketing manager is to set marketing goals and objectives. Clearly and precisely defined objective can help marketing manager to direct marketing efforts effectively. The goals and objective (whether strategic and operating, or short-term and long-term) must be suitably communicated with the employees concern. As far as possible, objectives should be expressed in the quantifiable terms.

2. **Selecting target market:**
Segmenting the total market and selecting the target market is a fundamental task of marketing management. Modern marketing practice is based on the target market, and not on the total market. Marketing manager cannot satisfy the needs and wants of entire market. He must concentrate his

efforts only on well-defined specific groups of customers, known as the target market. All the marketing functions are directed to cater needs and wants of the target market only. Based on company's overall capacity, the target market should be selected.

3. Formulating suitable marketing organization:

To implement marketing plan, a suitable organisation structure is essential. On the basis of analysis of type of products, type of market, geographical concentration of market, and many other relevant factors, appropriate organisation must be designed. Various alternative structures are available, such as product organisation, geographic organisation, functional organisation, matrix organisation, etc. Based upon requirements, the appropriate structure should be prepared and modified as per needs.

4. Maintaining healthy relations with other departments:

Marketing department needs cooperation from other departments of organisation, including financial department, personnel department, and production department, to satisfy customers effectively. Their support is considered to be important to satisfy consumers. Thus, for integrated efforts, marketing manager should try to establish good relations with them. Likewise, within marketing department, he must establish coordination among various personnel.

5. Establishing and maintaining profitable relations with outside parties:

Alike internal support, the external relations are also extremely necessary. Marketer, in order to carry out marketing activities effectively, must establish and maintain healthy relations with various parties, such as suppliers, service providers, government agencies, dealers, consultants, and so forth. Without their support, marketing manager cannot carry out functions successfully. Due to important role of external relations, contemporary marketing practices can be said as relationship marketing.

6. Marketing research activities:

Marketing research is one of the important functions of modern marketing. Marketing research involves systematic collection, analysis, and interpretation of data on any problem related to marketing. It provides the manager with valuable information on which marketing decisions can be taken. Marketing research is essential to know adequately about consumers and market situation. It is a basic function to satisfy consumers. Marketing efforts are based on the marketing research information.

7. Sales management:

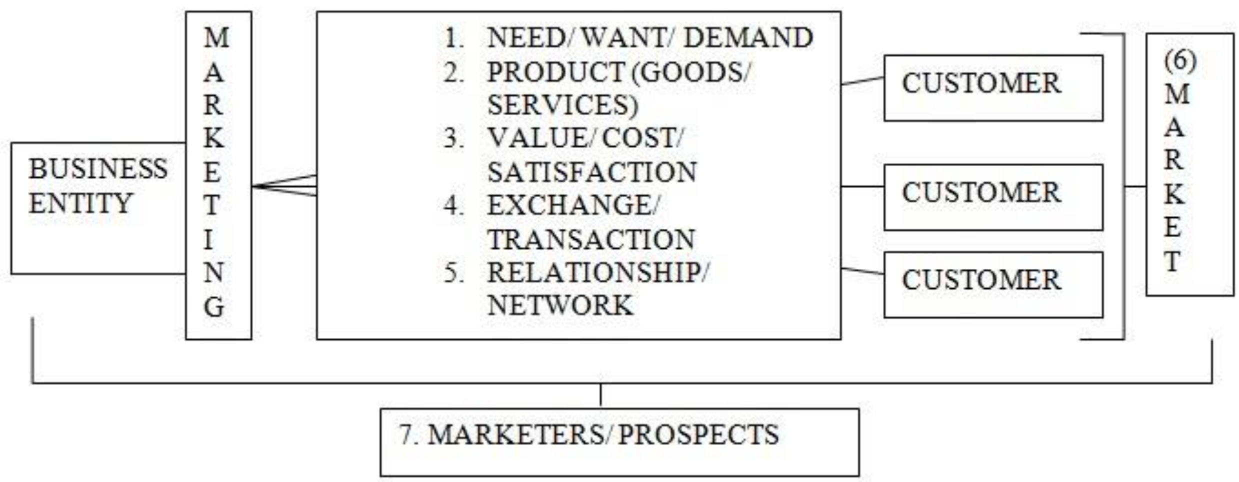
Sales management is one of the important functions of marketing management. Sales management concerns with planning, implementation, and controlling selling efforts. It performs all the activities directly related to execution of sales.

Sales department carry out selling functions. Sales department formulates sales policies, ensures adequate quantity of products, maintains sales records, formulates structures for sales department, manages sales force (salesmen), and controls selling efforts.

8. Exercising effective control on marketing activities:

Control is essential to ensure that activities are performed as per plan. Control involves establishing standards, measuring actual performance, comparing actual performance with standards, and taking corrective actions, if needed. Control keeps the entire marketing department alert, active, and regular. Marketing manager should set up an effective controlling system to monitor marketing efforts.

CORE CONCEPTS OF MARKETING:



(1) ***Need/ want/ demand****:*
Need: it is state of deprivation of some basic satisfaction. Eg.- food, clothing, safety, shelter.
Want: desire for specific satisfier of need. Eg.- indians *needs* food – *wants* paneer tikka/ tandoori chicken. Americans *needs* food- *wants* hamburger/ french fries.
Demand: want for a specific product backed up by ability and willingness to buy. Eg.- need – transportation.
Want – car (say, mercedes)……but able to buy only maruti. Therefore, *demand* is for maruti.
Marketers cannot create needs. Needs preexists. Marketers can influence wants. This is done in combination with societal influencers.
Demand influenced by making product:

- Appropriate
- Attractive
- Approachable/ affordable
- Available easily

To target consumers (4 p's) – product/ promotion/ price/ place.

(2) ***products- goods/ services/ place***.
Product is anything that can satisfy need/ want.
Product component-

1. Physical good.
2. Service.
3. Idea.

Eg. Fast food- Burger/ pizza.
Physical good – material eaten.
Service – purchase of raw material/ cooking

Idea – speed of computer/ processing power.
Importance of product lies in

- Owning them (minor)
- Obtaining them (major).

Hence, products are really a via- media for services.
Hence, in marketing, focus is on providing/ satisfying service rather than providing products.
Marketing myopia: focus on products rather than on customer needs.

(3) **Value/ cost/ satisfaction**:

- Decision for purchase made based on value/ cost satisfaction delivered by product/ offering.
- Product fulfills/ satisfies need/ want.
- Value is products capacity to satisfy needs/ wants as per consumer's perception or estimation.
- Each product would have a cost/ price elements attached to it.

Eg. – travel from city a to city b.
Need – to reach b (from a)
Method/ products- rail air / road or train/ plane.
Satisfaction – estimated in terms of time lead & travel comfort.
Value– products capacity to satisfy.
Cost– price of each product.

(4) **Exchange/ transaction**:
To satisfy need/ want, people may obtain the product through

- Self production
- By force or coercion
- Begging
- Exchange

Exchange: – the act/ process of obtaining a desired product from someone by offering something in return. For exchange potential to exist, the following conditions must be fulfilled.

1. There must be at least two parties.
2. Each party has something of value for other party.
3. Each party is capable of communication & delivery
4. Each party is free to accept/ reject the exchange offer.
5. Each party believes it is appropriate to deal with the other party.

Transaction: – event that happens at the end of an exchange. Exchange is a process towards an agreement. When agreement is reached, we say a transaction has taken place.
A) Barter transaction.
B) Monetary transaction.

1. At least two things of value.
2. Condition agreed upon.
3. Time of agreement.
4. Place of agreement.
5. May have legal system for compliance.

Proof of transaction is bill/ invoice.
Transfer: – it is one way. Hence, differ from transaction.

Negotiation: – process of trying to arrive at mutually agreeable terms.
Negotiation may lead to

- Transaction
- Decision not to transaction

(5) **Relationship/ networking**:
Relationship marketing:- it's a pattern of building long term satisfying relationship with customers, suppliers, distributors in order to retain their long term performances and business.
Achieved through promise and delivery of

- High quality
- Good service
- Fair pricing, over a period of time.

Outcome of relationship marketing is a marketing network.
Marketing network: it is made up of the company and its customers, employees, suppliers, distributors, advertisement agencies, retailers, research & development with whom it has built mutually profitable business relationship.
Competition is between whole network for market share and not between companies alone.

(6) **Market**:
A market consists of all potential customers sharing particular need/ want who may be willing and able to engage in exchange to satisfy need/ want.
Market size = fn (number of people who have need/ want; have resources that interest
Others, willing or able to offer these resources in exchange for what they want).
In marketing terms: sellers – called as "industry".
Buyers – referred to in a group as "market".
Types of markets:

1. Resource market,
2. Manufacturing market,
3. Intermediary market,
4. Consumer market,
5. Government market.

(7) ***Marketers/ prospects***:
Working with markets to actualize potential exchanges for the purpose of satisfying needs and wants.
One party seeks the exchange more actively, called as "marketer", and the other party is called "prospect".
Prospect is someone whom marketer identifies as potentially willing and able to engage in exchange.
Marketer may be seller or buyer. Most of time, marketer is seller.
A marketer is a company serving a market in the face of competition.
Marketing management takes place when at least one party to a potential exchange thinks about the means of achieving desired responses from other parties.

PHILOSOPHIES OF MARKETING

Under the marketing management philosophy, we shall study the following five concepts:
(1) Production concept

(2) Product concept
(3) Selling concept
(4) Marketing concept
(5) Societal marketing concept

1. Production concept
Those companies who believe in this philosophy think that if the goods/services are cheap and they can be made available at many places, there cannot be any problem regarding sale.

Keeping in mind the same philosophy these companies put in all their marketing efforts in reducing the cost of production and strengthening their distribution system. In order to reduce the cost of production and to bring it down to the minimum level, these companies indulge in large scale production.

This helps them in effecting the economics of the large scale production. Consequently, the cost of production per unit is reduced.

The utility of this philosophy is apparent only when demand exceeds supply. Its greatest drawback is that it is not always necessary that the customer every time purchases the cheap and easily available goods or services.

2. Product concept
Those companies who believe in this philosophy are of the opinion that if the quality of goods or services is of good standard, the customers can be easily attracted. The basis of this thinking is that the customers get attracted towards the products of good quality. On the basis of this philosophy or idea these companies direct their marketing efforts to increasing the quality of their product.

It is a firm belief of the followers of the product concept that the customers get attracted to the products of good quality. This is not the absolute truth because it is not the only basis of buying goods.

The customers do take care of the price of the products, its availability, etc. A good quality product and high price can upset the budget of a customer. Therefore, it can be said that only the quality of the product is not the only way to the success of marketing.

3. Selling concept
Those companies who believe in this concept think that leaving alone the customers will not help. Instead there is a need to attract the customers towards them. They think that goods are not bought but they have to be sold.

The basis of this thinking is that the customers can be attracted. Keeping in view this concept these companies concentrate their marketing efforts towards educating and attracting the customers. In such a case their main thinking is ‘selling what you have’.

This concept offers the idea that by repeated efforts one can sell-anything to the customers. This may be right for some time, but you cannot do it for a long-time. If you succeed in enticing the customer once, he cannot be won over every time.

On the contrary, he will work for damaging your reputation. Therefore, it can be asserted that this philosophy offers only a short-term advantage and is not for long-term gains.

4. Marketing concept

Those companies who believe in this concept are of the opinion that success can be achieved only through consumer satisfaction. The basis of this thinking is that only those goods/service should be made available which the consumers want or desire and not the things which you can do.

In other words, they do not sell what they can make but they make what they can sell. Keeping in mind this idea, these companies direct their marketing efforts to achieve consumer satisfaction.

In short, it can be said that it is a modern concept and by adopting it profit can be earned on a long-term basis. The drawback of this concept is that no attention is paid to social welfare.

5. Societal marketing concept

This concept stresses not only the customer satisfaction but also gives importance to consumer welfare/societal welfare. This concept is almost a step further than the marketing concept. Under this concept, it is believed that mere satisfaction of the consumers would not help and the welfare of the whole society has to be kept in mind.

For example, if a company produces a vehicle which consumes less petrol but spreads pollution, it will result in only consumer satisfaction and not the social welfare.

Primarily two elements are included under social welfare-high-level of human life and pollution free atmosphere. Therefore, the companies believing in this concept direct all their marketing efforts towards the achievement of consumer satisfaction and social welfare.

MARKETING ENVIRONMENT:

According to Philip Kotler, marketing environment refers to “external factors and forces that affect the company’s ability to develop and maintain successful transactions and relationships with its target customers”.

Scanning the Environment:

Marketing activities do not take place in a vacuum, isolated from all external forces. In fact all marketing operations are conducted in a highly complex, dynamic and changing environment. According to Philip Kotler, “A company’s marketing environment consists of the factors and forces outside marketing that affect management’s ability to build and maintain successful relationships with target customers”.

Importance of Environment Analysis:

The following are the benefits of environment analysis:

1. It helps in marketing analysis.
2. It can assess the impact of opportunities and threats on the business.
3. It facilitates the company to increase general awareness of environmental changes.
4. It is possible to develop effective marketing strategies on the basis of analysis.
5. It helps to capitalize the opportunities rather than losing out to competitors.
6. It facilitates to understand the elements of the environment.
7. It helps to develop best strategies, in the light of analyzing "what is going around the company".

The marketing environment is made up of:

1. Micro-environment and
2. Macro-environment.

We discuss them in detail:

1. Micro-environment:

The micro-environment of the company consists of various forces in its immediate environment that affect its ability to operate effectively in its chosen markets.

This includes the following:

(a) The company
(b) Company's Suppliers
(c) Marketing Intermediaries
(d) Customers
(e) Competitors
(f) Public

The Company:

In designing marketing plans, marketing management takes other company groups into account – Finance, Research and Development, Purchasing, Manufacturing, Accounting, Top Management etc. Marketing manager must also work closely with other company departments. Finance in concerned with funds and using funds to carry out the marketing plans.

Company's Suppliers:

Suppliers provide the resources needed by the company to product its goods and services. They are important links in the company's overall customer "value delivery system". Supplier developments can seriously affect marketing. Marketing managers must watch supply availability – supply shortages or delays, labour strikes and other events can cost sales in the short run and damage customer satisfaction in the long run. Marketing Managers also monitor the price trends of their key inputs. Rising supply costs may force price increases that can harm the company's sales volume.

Marketing Intermediaries:
Intermediaries or distribution channel members often provide a valuable link between an organisation and its customers. Large-scale manufacturing firms usually find it difficult to deal with each one of their final customers individually in the target markets. So they chose intermediaries to sell their products.

Physical distribution:
Firms help the company to stock and move goods from their points of origin to their destinations. Working with warehouse and transportation firms, a company must determine the best ways to store and ship goods, and safety marketing services agencies are the marketing research firms, advertising agencies, media firms, and marketing consulting firms that help the company target and promote its products to the right markets.

Customers:
Consumer markets consists of individuals and households that they buy goods and services for personal consumption. Business markets buy goods and services for further processing or for use in their production process, whereas reseller markets buy goods and services to resell at a profit.

Competitors:
No single competitive marketing strategy is best for all companies. The company's marketing system is surrounded and affected by a host of competitors. Each firm should consider its own size and industry position compared to those of its competitors. These competitors have to be identified, monitored and outmanouvered to gain and maintain customer loyalty.

Public:
General public do take interest in the business undertaking. The company has a duty to satisfy the people at large along with competitors and the consumers. A public is defined as "any group that has an actual or potential interest in or impact on a company's ability to achieve its objectives.

Macro Environment:
The macro-environment consists of broader forces that not only affect the company and the industry, but also other factors in the micro-environment.

The components of a macro-environment are:
(a) Demographic Environment

(b) Economic Environment

(c) Physical Environment

(d) Technological Environment

(e) Political Environment

(f) Legal Environment

(g) Social and Cultural Environment

A. Demographic Environment:

Demography is the study of population characteristics that are used to describe consumers. Demographics tell marketers who are the current and potential customers, where are they, how many are likely to buy and what the market is selling. Demography is the study of human populations in terms of size, density, location, age, sex, race, occupation and other statistics.

Income:

Income determines purchasing power and status. Higher the income, higher is the purchasing power. Though education and occupation shapes one's tastes and preferences, income provides the means to acquire that.

Life-style:

It is the pattern of living expressed through their activities, interests and opinion. Life-style is affected by other factors of demography as well. Life-style affects a lot on the purchase decision and brand preferences.

Sex:

Gender has always remained a very important factor for distinction. There are many companies which produce products and services separately for male and female.

Education:

Education implies the status. Education also determines the income and occupation. With increase in education, the information is wider with the customers and hence their purchase decision process is also different. So the marketers group people on the basis of education.

Social Class:

It is defined as the hierarchical division of the society into relatively distinct and homogeneous groups whose members have similar attitudes, values and lifestyle.

Occupation:

This is very strongly associated with income and education. The type of work one does and the tastes of individuals influence one's values, life-style etc. Media preferences, hobbies and shopping patterns are also influenced by occupational class.

Age:

Demographic variables help in distinguishing buyers, that is, people having homogenous needs according to their specific wants, preferences and usages. For instance, teenagers usually have similar needs. Therefore, marketers develop products to target specific age groups.

The youth are being targeted through advertisements and promotional campaigns, stores are being designed with 'youthful' features, youth events are being sponsored, and even new technology is developed with their tastes in mind.

Economic Environment:

Economic environment is the most significant component of the marketing environment. It affects the success of a business organisation as well as its survival. The economic policy of the Government, needless to say, has a very great impact on business. Some categories of business are favourably affected by the Government policy, some adversely affected while some others remain unaffected. The economic system is a very important determinant of the scope of private business and is therefore a very important external constraint on business.

Physical Environment:
The physical environment or natural environment involves the natural resources that are needed as inputs by marketers or those that are affected by marketing activities. Environmental concerns have grown steadily in recent years. Marketers should be aware of trends like shortages of raw materials, increased pollution, and increased governmental intervention in natural resources management. Companies will have to understand their environmental responsibility and commit themselves to the ‘green movement’.

Technological Environment:
The technological environment is the most dramatic force now facing our destiny. Technological discoveries and developments create opportunities and threats in the market. The marketer should watch the trends in technology. The biggest impact that the society has been undergoing in the last few years is the technological advancement, product changes and its effects on consumers.

Political Environment:
The political environment consists of factors related to the management of public affairs and their impact on the business of an organisation. Political environment has a close relationship with the economic system and the economic policy. Some Governments specify certain standards for the products including packaging.

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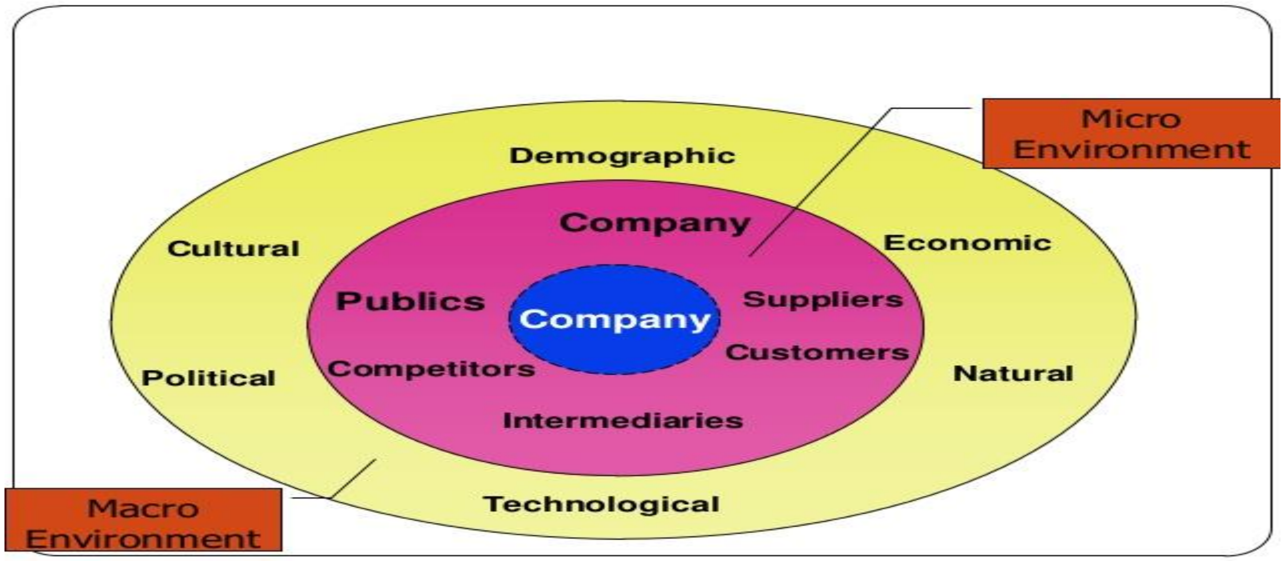
Social and Cultural Environment:
Socio-cultural forces refer to the attitudes, beliefs, norms, values, lifestyles of individuals in a society. These forces can change the market dynamics and marketers can face both opportunities and threats from them. Some of the important factors and influences operating in the social environment are the buying and consumption habits of people, their languages, beliefs and values, customs and traditions, tastes and preferences, education and all factors that affect the business.



MARKETING STRATEGY

Marketing strategy has the fundamental goal of increasing sales and achieving a sustainable competitive advantage. Marketing strategy includes all basic, short-term, and long-term activities in the field of marketing that deal with the analysis of the strategic initial situation of a company and the formulation, evaluation and selection of market-oriented strategies and therefore contribute to the goals of the company and its marketing.

Marketing strategy involves two steps:

(1) Selecting a target market.
(2) Developing the best marketing mix (the 4 P's) to satisfy this target.

The **tactics** are much more specific and provide more precise details about such matters as, say: where should I advertise? When should I run the ads? How will I get distribution in certain types of stores? *etc*. In effect, the

tactics describe how to achieve the strategies. Resources that are required to implement the tactics are budgeted.

Companies should analyze and track what their competitors are doing. It is important to know the strengths, weaknesses, objectives, and strategies of the competition.

Marketing Plan

Marketing plan is an important document used by companies for planning. It is a ***road map*** and surveys the business environment, describes problems, threats and opportunities in the industry, contains a marketing strategy, and has financial projections/budgets. Do not confuse a marketing plan with a **business plan**. A marketing plan is concerned more with strategy whereas a business plan is more concerned with financial information. The primary purpose of a business plan is to raise money from venture capitalists or bankers; the primary purpose of a marketing plan is to provide direction for a company. The marketing plan is an integral part of the business plan.

I. Executive Summary and Table of Contents

the marketing plan begins with a brief synopsis of the key points and major recommendations. The Table of Contents follows the executive summary.

II. Environmental Analysis (also known as Situation Analysis)

Before starting this section, the organization might first discuss its mission statement. Section II provides information about the firm's current situation with regard to the current marketing environment. It is sometimes referred to as a situation analysis. The **marketing environment** must be discussed. This section will look at external environmental factors such as the market, competition, marketing channels, economy, political climate, technology, legal and political climates, and socio-cultural factors. This section will also examine internal environmental factors such as costs, profits, human resources, financial resources, and the age of plant and equipment. The **target markets** also have to be studied. Have their needs changed? Is the company doing a good job of satisfying the needs of its customers? Finally, the organization has to ascertain whether their marketing objectives are still reasonable given the changing environment. The information in section II is used to help the organization with the SWOT analysis

III. SWOT Analysis

SWOT has become a buzzword in marketing today: Companies should know their **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats. A company has to understand its internal Strengths and Weaknesses and also be cognizant of external opportunities and threats. To do a SWOT analysis correctly, you must know about your competition and the industry. After the SWOT analysis is complete, a company has to build on the strengths that is has, do everything possible to eliminate or correct weaknesses, take advantage of opportunities, and do what it takes to minimize or avoid threats.

IV. Marketing Objectives: based on the SWOT analysis, the organization's major objectives are stated. This makes it clear to all what the organization is trying to accomplish through its marketing plan. Objectives are in terms of such factors as market share, profitability, and/or sales volume. Other factors to be considered include innovation (introduce five new products), image, distribution, etc.

V. Marketing strategy: A marketing strategy, as you know, has two key components: a target market and a marketing mix to satisfy the target market. A good marketing strategy enables a firm to achieve its objectives. A firm will succeed if it can use its strategy to achieve an advantage over the competition. A successful product offers either a quality advantage and/or price advantage over competing brands. How the product or service will be positioned is also discussed in this section.

VI. Marketing Implementation/Action Program: This section describes the actual marketing programs that will be undertaken in order to implement the marketing strategy. Some issues that must be discussed include what specific actions must be taken? Who will do it? When is it going to be done? How much will it cost?

VII. Financial Projections/Evaluation and Control: financial projections are required so that the organization can determine whether the marketing plan is actually working. The detailed financial projections are done on a monthly or quarterly basis. These projections are usually in terms of sales volume, profits, and/or market share. Costs must also be projected since total profit = total revenue - total cost. If the marketing plan is not working, it is very important for the organization to be able to pinpoint the cause as soon as possible and have a contingency plan.

DEVELOPED VS DEVELOPING MARKET

A **developed market** is a country with a highly industrialized economy, typically with a large service sector. A developed country will tend to have a high GDP per capita income, and built out infrastructure (transportation, communications) compared to a developing country. Another name for a developed market is “advanced” market or advanced economy.

Examples: United States, Japan, Germany, Australia, Canada, France.

A **developing market** is the opposite of a developed market

Examples: Argentina, Nigeria, Jordan, Vietnam, Hungary, North Korea, India.

MARKET RESEARCH

Market research is the process of assessing the viability of a new product or service through techniques such as surveys, product testing and focus groups. Market research allows a company to discover who their target market is and what these consumers think about a product or service before it becomes available to the public.

The American marketing association: The systematic gathering, recording and analysis of data about problems relating to the marketing of goods and services”

Richard crisp:”the systematic objective and exhaustive research for and study of the facts relevant to any problem in the field of marketing.”

Objectives of marketing research:
Marketing research is undertaken for attaining the following objectives:
(1) To provide basis for proper planning:
Marketing and sales forecast research provides sound basis for the formulation of all marketing plans, policies, programmes and procedures.

(2) To reduce marketing costs:
Marketing research provides ways and means to reduce marketing costs like selling, advertisement and distribution etc.

(3) To find out new markets for the product:
Marketing research aims at exploring new markets for the product and maintaining the existing ones.

(4) To determine proper price policy:
Marketing research is considered helpful in the formulation of proper price policy with regard to the products.

(5) To study in detail likes and dislikes of the consumers:
Marketing research tries to find out what the consumers, (the men and women who constitute the market) think and want. It keeps us in touch with the consumers, minds and to study their likes and dislikes.

(6) To know the market competition:
Marketing research also aims at knowing the quantum of competition prevalent in the market about the product in question. The company may need reliable information about competitor's moves and strategies which are of immense significance for further planning.

(7) To study the external forces and their impact:
Marketing research provides valuable information by studying the impact of external forces on the organisation. External forces may include conditions developing in foreign markets, govt, policies and regulations, consumer incomes and spending habits, new products entering in the market and their impact on the company's products.

Management Information System

Definitions:
Marketing information system (MIS) has been defined as:
***1.* Philip kotler:**
"a marketing information system is a continuing and interacting system of people, equipment's, and procedures to gather, sort, analyze, evaluate, and distribute the pertinent, timely, and accurate information for use by marketing decision-makers to improve their marketing planning, implementation, and control." Philip kotler gives alternative definition, such as: "a marketing information system (MIS) consists of people, equipment's, and procedures to gather, sort, analyze, evaluate, and distribute the needed, timely, and accurate information to marketing decision makers."

***2.* We can say:**
Marketing information system (MIS) is a permanent arrangement (system or setup) for provision of regular availability of relevant, reliable, adequate, and timely information for making marketing decisions.

***3*. Finally, let us define the term more comprehensively:**
MIS concerns with setting and maintaining of a permanent system (network) to avail necessary information on regular basis. The system consists of people, equipment's, facilities, and procedures directed to gather, analyze, evaluate, update, distribute, and preserve the information

to assist marketing decision-making, i.e., analyzing, planning, implementing, and controlling of marketing activities.

Components of MIS

MIS is made of parts, subparts or subsystems which are called the components. Typically, according to philip kotler, a marketing information system consists of four interrelated components – internal reports (records) system, marketing research system, marketing intelligence system, and marketing decision support system, as shown in figure 1. All components are interrelated and interdependent.

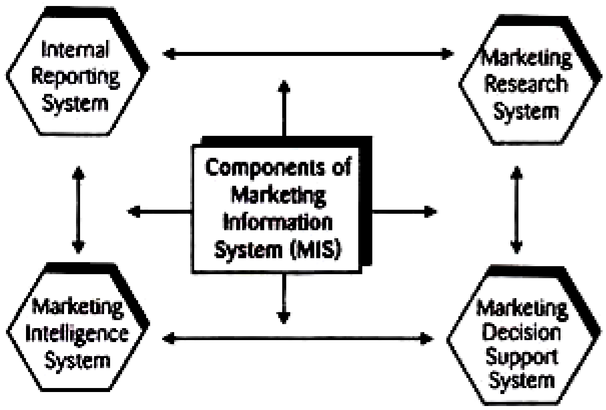


Figure 1: Components of Marketing Information System

1. Internal records system:

Internal records system is a major and easily accessible source of information. It supplies the results data. It consists of all records of marketing operations available within organization. This system concerns with collecting, analyzing, interpreting, and distributing needed information from records of various departments of the company.

Main sources include various records on sales and purchase, ordering system, sales force reporting system, inventory level, receivable-payables, marketing staff, costs, the past research works, and other literatures/reports available within organization. Particularly, for sales orders and sales force reporting, the computer technology is excessively used for accurate, efficient, and speedy transmission of information.

To manage the internal record system, some companies appoint internal MIS committee to deal with all aspects of internal information.

The committee:

(1) attends request for all type of information required by managers,
(2) Determines sources of the information and tools needed to collect, evaluate, and analyze information,
(3) Deals with presenting, distributing and updating the information,
(4) Handles complaints of employees, and
(5) Performs all types functions related to information.

Internal records system keeps regular circulation of the information throughout the organisation without much expense and efforts. Managers can get the up-to-date information about marketing operations. Once the system is set up properly, it can serve the purpose continually.

2. Marketing intelligence system:

While internal report system concerns with information available from internal records of organisation, the marketing intelligence system supplies the managers with happening data. It provides information about external happenings or external environment.

Marketing intelligence system is:

The set of procedures and sources used by managers to obtain every-day information regularly about pertinent developments in the marketing environment. A manager can try to expose external environment in various ways.

Marketing intelligence system consists of various methods.

A manager can use one or more below mentioned methods:

i. Reading newspapers, books, and other publications.
ii.Watching TV, hearing radio, or internet surfing.
iii. Talking to customers, dealers, suppliers, and other relevant parties.
iv. Talking to other managers and employees of his company as well as of other companies.
v. Maintaining live contacts with other officials and agencies.
vi. Purchasing useful information from professional sources.
vii. Assigning marketing intelligence task to professional agencies, etc.

Effective marketing intelligence system can facilitate managers to take immediate actions like reacting to competitors, meeting changing needs of customers, solving dealers' problems, and so on.

3. Marketing research system:

Marketing research is a powerful and independent branch of the MIS. In certain cases, managers need detailed information on the specific problem of the specific marketing area. Thus, it is a formal study of specific problems, opportunities, or situations. Normally, it is carried out for solving the specific problem.

In this sense, it is not a part of routine activity. It collects need-based information. Nowadays, it is treated as the separate discipline or subject. Philip kotler defines: "marketing research is the systematic design for collection, analysis, and reporting of data and findings relevant to specific marketing situations facing the company."

Marketing research consists of collecting primary and secondary data from various respondents using various tools through various methods for definite period of time, analyzing data using appropriate statistics tools, and presenting findings in forms of a report. It is conducted by internal expert staff or external professionals.

4. Marketing decision support system (mdss):

Previously, the component was known as analytical marketing system. While former three components supply data, the marketing decision support system concerns more with processing or analyzing available data. This component can improve efficiency and utility of the whole marketing information system.

The system is used to help managers make better decisions. John d. C. Little defines: "a marketing decision support system (mdss) is coordinated collection of data, systems, tools, and techniques with supporting software and hardware by which an organisation gathers and interprets relevant information from environment and turns it into a basis for making decisions."

According to the definition, the mdss includes tools, techniques or models used for:

(1) Data collection,
(2) Data analysis,
(3) Interpreting results, and
(4) Supporting managerial decision-making.

In real sense, it is not a separate component, but extension of other components. Statistical tools, new models, and software are used to help marketing managers analyze, plan, and control their operations. The mdss consists of two sub-components – the statistical bank and the model bank.

The statistical bank:

It consists of quantitative tools used in marketing decision-making. It is popularly known as operations research.

The statistical tools used for data analysis include:

I. Simple statistical techniques like averages, mode, medium, etc.
ii. Regression-multiple regression analysis
iii. Discriminate analysis
iv. Correlation analysis
v. Factor analysis
vi. Cluster analysis
vii. Input-output analysis
viii. Conjoint analysis
ix. Multidimensional scaling, etc.

The model bank:

This component includes decision support models. It is a collection of models and software that can help managers develop better marketing decisions. The model is a series of variables, their interrelationships, and programmes to represent some real systems. The models are developed by scientists who are known as operation researchers. For different purposes, different models are used.

Widely used models include:

i. The Markova-process analysis
ii. Queuing model
iii. New product pretest models
iv. Sales response model
v. Discrete choice model
vi. Differential calculus
vii. Mathematical programming
viii. Statistical decision theory
ix. Game theory
x. Heuristics
xi. Decision tree model
xii. Feedback system model
xiii. Linear v/s non-linear model, etc.

Using relevant variables, mathematical operators, and some techniques, the new models can be developed as per firm's needs. Sometimes, such models are also called packages. Some recently developed decision models include bran dai d (marketing mix model), callplan (for sales force to determines number of calls), detailer (for sales force to determine type of customers to call), geoline (for designing sales and service territories), medicac (for advertising to select media), promoter (for sales promotion programmes), adcad (for selecting type of advertising theme), coverstory (for writing sales reports and memo writing), etc. Every model consists of variables and their relationships. Each of them can be applied in specific decision area and for specific purpose.

Marketing research process

The various stages or steps in the marketing research process are discussed below:
1. Identification and defining the problem:
The market research process begins with the identification "of a problem faced by the company. The clear-cut statement of problem may not be possible at the very outset of research process because often only the symptoms of the problems are apparent at that stage. Then, after some explanatory research, clear definition of the problem is of crucial importance in marketing research because such research is a costly process involving time, energy and money.

Clear definition of the problem helps the researcher in all subsequent research efforts including setting of proper research objectives, the determination of the techniques to be used, and the extent of information to be collected.

It may be noted that the methods of explanatory research popularly in use are—survey of secondary data, experience survey, or pilot studies, i.e., studies of a small initial sample. All this is also known as 'preliminary investigation'.

2. Statement of research objectives:

After identifying and defining the problem with or without explanatory research, the researcher must take a formal statement of research objectives. Such objectives may be stated in qualitative or quantitative terms and expressed as research questions, statement or hypothesis. For example, the research objective, "to find out the extent to which sales promotion schemes affected the sales volume" is a research objective expressed as a statement.

On the other hand, a hypothesis is a statement that can be refuted or supported by empirical finding. The same research objective could be stated as, "to test the proposition that sales are positively affected by the sales promotion schemes undertaken this winter."

Example of another hypothesis may be: "the new packaging pattern has resulted in increase in sales and profits." Once the objectives or the hypotheses are developed, the researcher is ready to choose the research design.

3. Planning the research design or designing the research study:

After defining the research problem and deciding the objectives, the research design must be developed. A research design is a master plan specifying the procedure for collecting and analyzing the needed information. It represents a framework for the research plan of action.

The objectives of the study are included in the research design to ensure that data collected are relevant to the objectives. At this stage, the researcher should also determine the type of sources of information needed, the data collection method (e.g., survey or interview), the sampling, methodology, and the timing and possible costs of research.

4. Planning the sample:

Sampling involves procedures that use a small number of items or parts of the 'population' (total items) to make conclusion regarding the 'population'. Important questions in this regard are—who is to be sampled as a rightly representative lot? Which is the target 'population'? What should be the sample size—how large or how small? How to select the various units to make up the sample?

5. Data collection:

The collection of data relates to the gathering of facts to be used in solving the problem. Hence, methods of market research are essentially methods of data collection. Data can be secondary, i.e., collected from concerned reports, magazines and other periodicals, especially written articles, government publications, company publications, books, etc.

Data can be primary, i.e., collected from the original base through empirical research by means of various tools.

There can be broadly two types of sources

(i) Internal sources—existing within the firm itself, such as accounting data, salesmen's reports, etc.

(ii) External sources—outside the firm.

6. Data processing and analysis:

Once data have been collected, these have to be converted into a format that will suggest answers to the initially identified and defined problem. Data processing begins with the editing of data and its coding. Editing involves inspecting the data-collection forms for omission, legibility, and consistency in classification. Before tabulation, responses need to be classified into meaningful categories.

The rules for categorizing, recording and transferring the data to 'data storage media' are called codes. This coding process facilitates the manual or computer tabulation. If computer analysis is being used, the data can be key punched and verified.

Analysis of data represents the application of logic to the understanding of data collected about the subject. In its simplest form analysis may involve determination of consistent patterns and summarizing of appropriate details.

The appropriate analytical techniques chosen would depend upon informational requirements of the problem, characteristics of the research designs and the nature of the data gathered. The statistical analysis may range from simple immediate analysis to very complex multivariate analysis.

7. Formulating conclusion, preparing and presenting the report:

The final stage in the marketing research process is that of interpreting the information and drawing conclusion for use in managerial decision. The research report should clearly and effectively communicate the research findings and need not include complicated statement about the technical aspect of the study and research methods.

Often the management is not interested in details of research design and statistical analysis, but instead, in the concrete findings of the research. If need be, the researcher may bring out his appropriate recommendations or suggestions in the matter. Researchers must make the presentation technically accurate, understandable and useful.

Online market research

Online market research shares the same goal as traditional market research - to gather as much knowledge/information about a target audience, product or target market as possible: because of its velocity, high research performance and internationalization, online market research is still on advance. Like market research, online market research aimed as well getting as much knowledge your target group, product or market.

Definition of online market research

Online market research can be interpreted in three different ways.[1)]

- Internet as a method of research
- Internet as a object of research
- Internet as a medium of research

This article focused on the first topic „internet as a method of research". In that case the internet is the instrument of research. The methods of online market research are the same methods used in the traditional market research: interview, observation, case studies and focus groups.

Methods of online market research

Similar to market research, online market research falls into primary and secondary research as well. Secondary research is not bulid on own data, it falls back to pre-existing data on the internet. For example search engines, databases or information sites. Primary research on the other hand builds its own data. Holger lütters, expert for online market research and author, varies regarding primary research in reactive an non-reactive methods.[2)] Reactive methods in the context of online market research are online surveys, online observations and online focus groups. Online case studies and online panels belong to non-reactive methods.[3)]

Online survey

The participant fills out a survey featured by the medium internet. The survey is programmed and the processing occured through local browsers. Online surveys have different advantages such as the possibility of a comfortable, program-controlled filtering error or the access to a target group that is difficult to reach offline (e.g. Young men or visitors of specific websites). But there are also existing different disadvantages such as the missing possibility to control the situation of the survey (similar to normal surveys, researchers can check the time to fill out the survey. If it is far below the average, the researcher has to take into consideration that the information provided might not be as sufficient as surveys provided by other members of the group)

Online observation

Via online observation, market researchers basically examine the reaction of users about companies, organizations, products or services. The behavior of the user is for example analyzed by log file-analysis, cookies or click stream-analysis. Market researchers can also use blogs, for example, to inform about the users opinion.[4)]

Online focus groups

Another subset of the methods of online market research is online groups. Online focus groups have between 8 and 10 participants and last usually from 60 minutes up to 90 minutes. The online focus group is lead by a moderator who uses predetermined questions and unscripted probes.

Online panel

An online panel is a group of users, who confirmed participating in constant online studies. Advantages of online panels are the costs, because online panels are much cheaper than the conducting of real panels, and the researcher has more flexibility in conducting the online panel. Because of the own decision to participate at the panel, the biggest problem of online panels is the missing representativeness. This causes the sample not to be fully representative of the target audience.

Advantages and disadvantages of online market research

Online market research has revolutionized the traditional aspect of market research. The possibility of online market research provides both advantages and disadvantages for researchers.

Advantages of online market research

- Large numbers of participants can be reached at the same time
- International market research becomes easier
- Costs
- Time - rapid turnaround („same-day delivery“)

Disadvantages of online market research

- Difficulties arising from the check of the respondents identity
- Representativeness (skewed representation of the target audience)
- The possibility to participate on a survey more than once
- Data privacy
- Missing standards in recruiting and data collection

Marketing research and ethics

In the case of market research, ethics can be defined as the moral principles that are recognized when performing market research. It is the rules that guide us for right and wrong. Although the mria has established practices on how research should be conducted, unfortunately these guidelines are not always followed and there are often cases where data was collected in unethical ways.

Ethics applies to market research in various ways. Data could not only be collected unethically, but also presented and analyzed in a way that does now comply with industry standards. For example, a market researcher could be collecting data and could change the results of their findings in order to better prove their hypothesis on the matter.

In marketing research, ethical issues and concerns are common. Some of the more common issues are as follows and will be discussed in further detail throughout the chapter.

- Privacy and confidentiality
- Honesty in collecting, analyzing and presenting data
- Responsibility of researchers.

Privacy and confidentiality

Privacy and confidentiality can have several connotations as it can relate to different areas, some of which include financial, medical, political, governmental and legal issues, among others. In marketing research, privacy and confidentiality generally involves: the participants' right to decide whether to obey with the investigator's request, their right to be debriefed about what is involved in their participation, the extent to which personal information is collected, the disclosure and retention of personal information, and adhering to codes of conduct and laws that dictate how to properly manage participants' privacy and keeping their information safe and confidential.

The first issue involves giving participants the right to choose if they want to be part of the research and that they have the right not to answer questions they do not want to answer. Often, participants do not know that they have this right and think it is their obligation to answer anything the investigator asks them. This is often the case when partakers are older, uneducated or underprivileged so as ethical researchers, it is our duty to inform them about their entitlements.

Participants also must be informed about what is involved in a given investigation. For example, they must be debriefed at the end of a study, especially if an experimental manipulation is used. They must be informed of one-way mirrors, microphones in the room or projective techniques been used as to not to invade their privacy. Similarly, if confidentiality about respondents' personal information is promised but not kept, their right to safety will be breached.

There are types of personal information that can often be associated with invasion of privacy. A researcher therefore must be aware that asking participants questions about their sexual orientation, religion, political affiliations or income can be seen as discriminative or irrelevant thus invading their privacy. If such questions are necessary to the study, it is important to explain participant the relevance of these questions and to warrant them that such information will be kept anonymous and confidential.

Codes of conduct from marketing research associations as well as provincial and federal laws decree standard practices on disclosure and retention of personal information. The marketing research and intelligence association (mria) is a "canadian not-for-profit association representing all aspects of the market intelligence and survey research industry" (mria) that dictates standard marketing research practices. Their 2000 members must adhere to their privacy code. Some of their principles about disclosure and retention of personal information include:
Principle 4 – limiting collection of personal information

- *The mria will limit the collection of personal information to that which is necessary for the purposes identified by the mria. The mria will collect personal information by fair and lawful means.*

Principle 5 – limiting use, disclosure, and retention of personal information

- *The mria will not use or disclose personal information for purposes other than those for which it was collected, except with the consent of the individual or as required or permitted by law. The mria will retain personal information only as long as necessary for the fulfillment of those purposes.* (standards)

As we can see, respecting respondent's privacy and keeping their information confidential plays a big role in being ethical when doing marketing research. As researchers, it is important to be aware of our duties and obligations with the people we interview or observe. We must let them know of their rights: right to choose, right to safety and right to be informed. Finally, we must also respect the information they contribute for a given investigation by managing it well and by keeping it secure and confidential.

Honesty in presenting and analyzing results

Analyzing results is the procedure of assessing, illustrating, and reviewing data by using statistical and logical techniques. To curb the misleading of marketing research and errors of statistics, it's necessary for researchers to honestly present and analyze results. The reports should be written in a way that is logical and persuasive. Both primary data and secondary data can be used for presenting and analyzing. Secondary data may be brought into the analysis to help find results. However, in order to avoid unreliable information, researchers need to consider the following items:

1. Specification and methodology used.
2. The dependability of the source must be seen.
3. Is the data current?
4. Does it apply to the time frame you're interested in?

Responsibility of researchers

Individuals all have responsibility to ensure that they have ability to meet the goal of research when they work with a research project. Responsibility of researchers plays an important role in research project, and it can help the people perform the project efficiently. Researchers who are working on a project need to have the following responsibility:

1. Conducting the research
2. Ensuring the outline is on the track
3. Protecting the confidential data
4. Recording any events

Researchers have overall responsibility for the project and accountable to the employer of the research; therefore, they are required to provide appropriated management to all working, ensure all the date is appropriated, and report any of misconduct.

INTERNATIONAL MARKETING RESEARCH:

International Market Research is a particular discipline of Market Research, focusing on certain geographical areas.
International Market Research is concerned with consumer goods, but also with any resource or service within a value chain which will be commercially utilized or further processed – which is the area of industrial goods and B2B-Marketing.

International Marketing Research follows the same path as domestic research, but there are a few more problems that may arise. Customers in international markets may have very different customs, cultures, and expectations from the same company. In this case, Marketing Research relies more on primary data rather than secondary information. Gathering the primary data can be hindered by language, literacy and access to technology. Basic Cultural and Market intelligence information will be needed to maximize the research effectiveness. Some of the steps that would help overcoming barriers include:

1. Collect secondary information on the country under study from reliable international source e.g. WHO and IMF.
2. Collect secondary information on the product/service under study from available sources.
3. Collect secondary information on product manufacturers and service providers under study in relevant country 4. Collect secondary information on culture and common business practices.
5. Ask questions to get better understanding of reasons behind any recommendations for a specific methodology

UNIT-II

INTRODUCTION

Consumer behavior

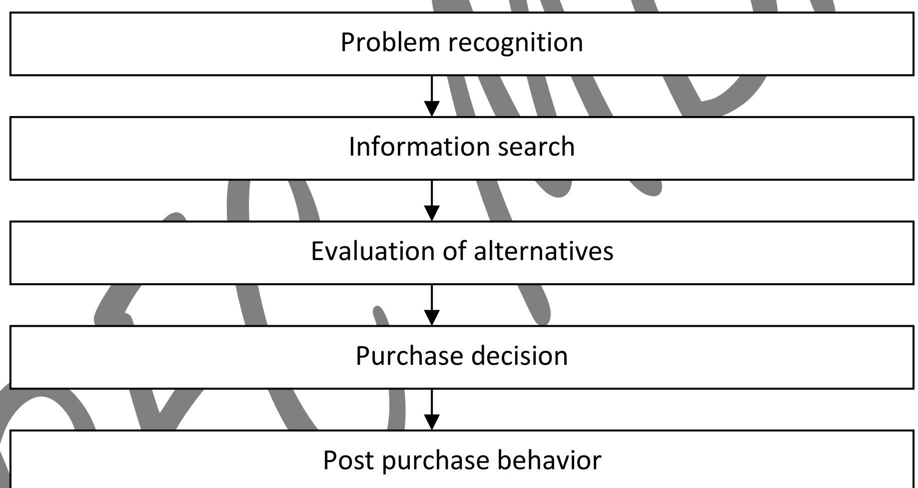
Consumer behavior is the process consumers go through when they make purchases and it involves factors that influence their decision and usage.

The **consumer decision-making process** involves five steps that consumers move through when buying a good or service. A marketer has to understand these steps in order to properly move the consumer to the product and close the sale.

The stages of the buying decision process

The consumer passes through five stages: problem recognition, information search, evaluation of alternatives, purchase decision, and post purchase behavior. Clearly the buying process starts long before the actual purchase and has consequences long afterward.

The model in figure -3 implies that consumers pass sequentially through all five stages in buying a product. But this is not the case, especially with low-involvement purchases. Consumers may skip or reverse some stages. Thus a woman buying her regular brand of toothpaste goes directly from the need for toothpaste to the purchase decision, skipping information search and evaluation.



Five-Stage Model of the Consumer Buying Process

Problem Recognition: The buying process starts when the buyer recognizes a problem or need. The buyer senses a difference between his or her actual state and a desired state. A person passes a bakery and sees freshly baked bread that stimulates her hunger; she admires a neighbor's new car; or she watches a television commercial advertising a hawaiian vacation.

Marketers need to identify the circumstances that trigger a particular need. By gathering information from a number of consumers, marketers can identify the most frequent stimuli that spark an interest in a product category. The marketer can then develop marketing strategies that trigger consumer interest.

Information search: An aroused consumer will be inclined to search for more information. We can distinguish between two levels of arousal. The milder search state is called heightened attention. At the next level, the consumer may enter active information search. She actually looks for reading material, phones friends, and engages in other activities to learn about the product.

How much search she undertakes depends on the strength of her drive, the amount of information she initially has, the ease of obtaining additional information, the value she places on additional information, and the satisfaction she gets from search.

Evaluation of alternatives: There is no simple and single evaluation process used by all consumers or by one consumer in all buying situations. There are several decision evaluation processes, the most current models of which see the consumer evaluation process as cognitively oriented. That is, they see the consumer as forming product judgments largely on a conscious and rational basis.

Some basic concepts will help us understand consumer evaluation processes: first, the consumer is trying to satisfy a need. Second, the consumer is looking for certain benefits from the product solution. Third, the consumer sees each product as a bundle of attributes with varying abilities of delivering the benefits sought to satisfy this need. The consumer develops a set of brand beliefs about where each brand stands on each attribute. The set of beliefs about a brand make up the brand image. The consumer's brand image will vary with his or her experiences as filtered by the effects of selective perception, selective distortion, and selective retention.

Purchase decision: In the evaluation stage, the consumer forms preferences among the brands in the choice set. The consumer may also form an intention to buy the most preferred brand. However, two factors can intervene between the purchase intention and the purchase decision (figure -4).

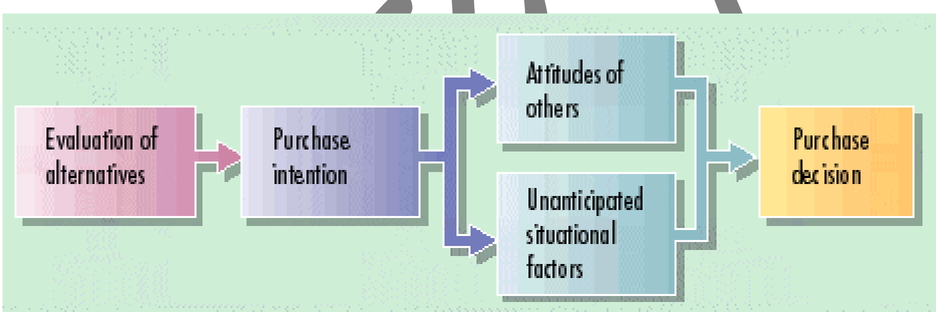


Figure -4 steps between evaluation of alternatives and a purchase decision

The first factor is the attitudes of others. A buyer's preference for a brand will increase if someone he or she likes favors the same brand strongly. The converse is also true. The second factor is unanticipated situational factors. These may erupt to change the purchase intention. The consumer might lose her job, some other purchase might become more urgent, or a store salesperson may turn her off. Thus preferences and even purchase intentions are not completely reliable predictors of purchase behavior.

Post purchase behavior: After purchasing the product, the consumer will experience some level of satisfaction or dissatisfaction. The marketer's job does not end when the product is bought but continues into the post purchase period. Marketers must monitor post purchase satisfaction, post purchase actions, and post purchase product use and disposal.

Post purchase satisfaction. After purchasing a product, a consumer may detect a flaw. Some buyers will no longer want the flawed product, others will be indifferent to the flaw, and some may even see the flaw as enhancing the product's value.[37] for instance, an upside-down page in the first edition of a famous author's book might make the book become a collectible item worth many times its original purchase price. Consumers form their expectations on the basis of messages received from sellers, friends, and other information sources. If the seller exaggerates the benefits, consumers will experience disconfirmed expectations, which lead to dissatisfaction. The larger the gap between expectations and performance, the greater the consumer's dissatisfaction. Here the consumer's coping style comes into play. Some consumers magnify the gap when the product is not perfect, and they are highly dissatisfied. Other consumers minimize the gap and are less dissatisfied. The importance of post purchase satisfaction suggests that sellers must make product claims that truthfully represent the product's likely performance. Some sellers might even understate performance levels so that consumers experience higher-than-expected satisfaction with the product.

Post purchase actions. The consumer's satisfaction or dissatisfaction with the product will influence subsequent behavior. If the consumer is satisfied, he or she will exhibit a higher probability of purchasing the product again. Dissatisfied consumers respond differently. They may abandon or return the product. They may take public action such as by complaining to the company, going to a lawyer, or complaining to other groups, make a decision to stop buying the product or warn friends.

Post purchase use and disposal. Marketers should also monitor how the buyers use and dispose of the product if consumers store the product in their closet, the product is probably not very satisfying, and word-of-mouth will not be strong. If consumers find new uses for the product, marketers should advertise these uses:

Creating customer value:

Step 1: understand what drives value for your customers
Talk to them, survey them, and watch their actions and reactions. In short, capture data to understand what is important to your customers and what opportunities you have to help them.

Step 2: understand your value proposition
The value customers receive is equal to the benefits of a product or service minus its costs. What value does your product or service create for them? What does it cost them–in terms of price plus any ancillary costs of ownership or usage (e.g., how much of their time do they have to devote to buying or using your product or service?)

Step 3: identify the customers and segments where are you can create more value relative to competitors
Different customers will have varying perceptions of your value relative to your competitors, based on geographic proximity, for example, or a product attribute that one segment may find particularly attractive.

Step 4: create a win-win price

Set a price that makes it clear that customers are receiving value but also maximizes your "take." Satisfied customers that perceive a lot of value in your offering are usually willing to pay more, while unsatisfied customers will leave, even at a low price. Using "cost-plus" pricing (i.e., pricing at some fixed multiple of product costs) often results in giving away margin unnecessarily to some customers while losing incremental profits from others.

Step 5: focus investments on your most valuable customers
Disproportionately allocate your sales force, marketing dollars, and r&d investments toward the customers and segments that you can best serve and will provide the greatest value in return. Also, allocate your growth capital toward new products and solutions that serve your best customers or can attract more customers that are similar to your best customers.

Your customers are the lifeblood of your business. They are the source of current profits and the foundation of future growth. These steps will help you find more ways to grow your business by better serving your best customers.

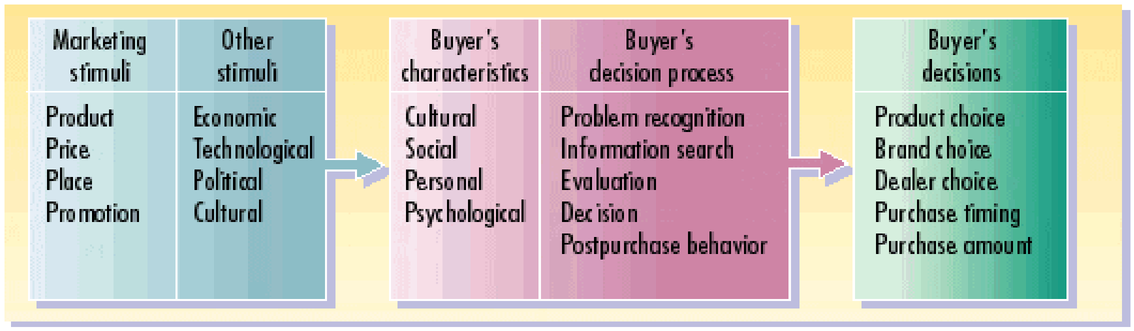
Analyzing consumer markets and buyer behavior

The aim of marketing is to meet and satisfy target customers' needs and wants. The field of consumer behavior studies how individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and desires.

Understanding consumer behavior and "knowing customers" are never simple. Customers may state their needs and wants but act otherwise. They may not be in touch with their deeper motivations. They may respond to influences that change their mind at the last minute. Nevertheless, marketers must study their target customers' wants, perceptions, preferences, and shopping and buying behavior:

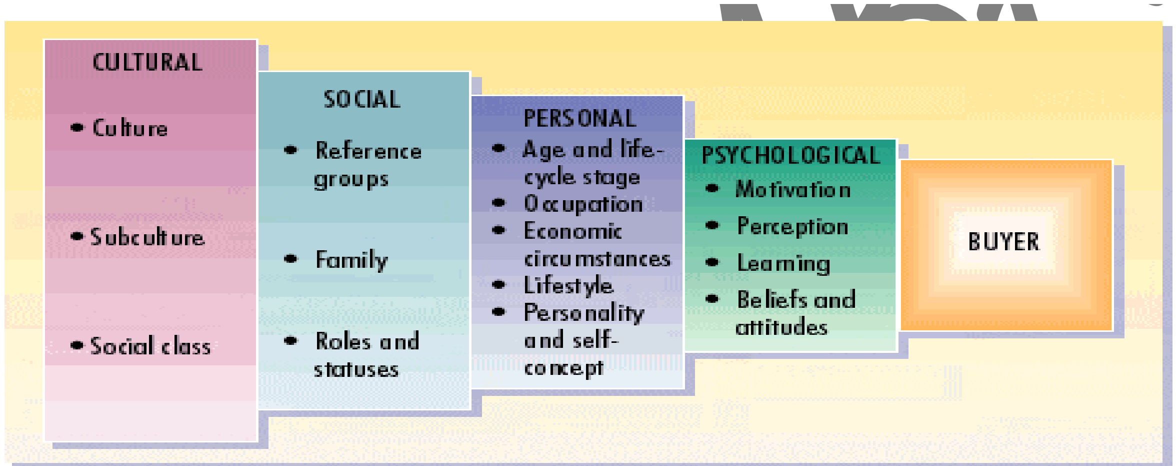
A model of consumer behavior

The starting point for understanding buyer behavior is the stimulus-response model shown in figure -1. Marketing and environmental stimuli enter the buyer's consciousness. The buyer's characteristics and decision process lead to certain purchase decisions. The marketer's task is to understand what happens in the buyer's consciousness between the arrival of outside stimuli and the buyer's purchase decisions.



Model of Buyer Behavior

MAJOR FACTORS INFLUENCING BUYING BEHAVIOR



Factors influencing behavior

Cultural factors

Cultural factors exert the broadest and deepest influence on consumer behavior. The roles played by the buyer's culture, subculture, and social class are particularly important.

Culture: Culture is the most fundamental determinant of a person's wants and behavior. The growing child acquires a set of values, perceptions, preferences, and behaviors through his or her family and other key institutions. An American's interest in computers reflects his upbringing in a technological society. He knows what computers are and he knows that the society values computer expertise. In another culture, says a remote tribe in central Africa, a computer would mean nothing. It would simply be a curious piece of hardware, and there would be no buyers.

Subculture: Each culture consists of smaller subcultures that provide more specific identification and socialization for its members. Subcultures include nationalities, religions, racial groups, and geographical regions. Many subcultures make up important market segments, and marketers often design products and marketing programs tailored to their needs. Subculture will influence ones food preferences, clothing choices, recreation, and career aspirations.

Social class: Social classes are relatively homogeneous and enduring divisions in a society, which are hierarchically ordered and whose members share similar values, interests, and behavior. Social classes do not reflect income alone but also other indicators such as occupation, education, and area of residence. Social classes differ in their dress, speech patterns, recreational preferences, and many other characteristics. The following table describes the five social classes identified by social scientists.

Characteristics of four major Indian social classes	
1. Upper class	This class consists of people who are rich and posse's considerable wealth, e.g., people with large businesses and wealthy corporate executives. These people live in large bungalows in posh localities and tend to buy expensive products and patronize branded exclusive shops. This class is very important for marketers.
2.upper middle class	This class consists of well educated people holding top class positions in middle size firms, or professionals who are successful. They have a strong drive for success and indulge in shopping for goods that speak of their social status.
3. Middle class	This class consists of white collar workers like middle level and junior executives, sales people, academicians, small business owners, etc. These people lead a conservative lifestyle and spend moderately. They leave in apartments or reasonably smaller houses and seek to buy products, which give more value for money.
4. Lower class	This class consists of blue collar workers like factory laborers, semi-skilled and unskilled laborers in the un organized sector. These people are more family oriented and depend on their family for economic and emotional support. Their families are generally male dominated. These people are less or poorly educated, live in smaller houses in less desirable neighborhoods. Due to their low income levels, these people tend to live in the present and have no concept of savings.

Social factors

In addition to cultural factors, a consumer's behavior is influenced by such social factors as reference groups, family, and roles and statuses.

Reference groups: A person's reference groups consist of all the groups that have a direct (face-to-face) or indirect influence on the person's attitudes or behavior. People are significantly influenced by their reference groups. Marketers try to identify their target customers' reference groups. Reference groups appear to strongly influence both product and brand choice only in the case of automobiles and color televisions; mainly brand choice in such items as furniture and clothing; and mainly product choice in such items as beer and cigarettes.

Family: The family is the most important consumer-buying organization in society, and it has been researched extensively. From parents a person acquires an orientation toward religion, politics, and economics and a sense of personal ambition, self-worth, and love. In countries where parents live with their grown children, their influence can be substantial. A more direct influence on everyday buying behavior is one's family of procreation--namely, one's spouse and children. Marketers are interested in the roles and relative influence of the husband, wife, and children in the purchase of a large variety of products and services.

Roles and statuses: A person participates in many groups throughout life--family, clubs, organizations. The person's position in each group can be defined in terms of role and status. A role consists of the activities that a person is expected to perform. Each role carries a status. A supreme court justice has more status than a sales manager, and a sales manager has more status than an office clerk. People choose products that communicate their role and status in society. Marketers are aware of the status symbol potential of products and brands.

Personal factors

A buyer's decisions are also influenced by personal characteristics. These include the buyer's age and stage in the life cycle, occupation, economic circumstances, lifestyle, and personality and self-concept.

Age and stage in the life cycle: People buy different goods and services over their lifetime. They eat baby food in the early years, most foods in the growing and mature years, and special diets in the later years. People's taste in clothes, furniture, and recreation is also age related.

Occupation: A person's occupation also influences his or her consumption pattern. A blue-collar worker will buy work clothes, work shoes, and lunch boxes. A company president will buy expensive suits, air travel, country club membership, and a large sailboat.

Economic circumstances: Product choice is greatly affected by one's economic circumstances. People's economic circumstances consist of their spendable income (its level, stability, and time pattern), savings and assets (including the percentage that is liquid), debts, borrowing power, and attitude toward spending versus saving. Marketers of income-sensitive goods pay constant attention to trends in personal income, savings, and interest rates. If economic indicators point to a recession, marketers can take steps to redesign, reposition, and reprice their products so they continue to offer value to target customers.

Lifestyle: People coming from the same subculture, social class, and occupation may lead quite different lifestyles. A person's lifestyle is the person's pattern of living in the world as expressed in the person's activities, interests, and opinions. Marketers search for relationships between their products and lifestyle groups. For example, a computer manufacturer might find that most computer buyers are achievement-oriented. The marketer may then aim the brand more clearly at the achiever lifestyle.

Personality and self-concept: Each person has a distinct personality that influences his or her buying behavior. Personality is a person's distinguishing psychological characteristics that lead to relatively consistent and enduring responses to his or her environment. Personality is usually described in terms of such traits as self-confidence, dominance, autonomy, deference, sociability, defensiveness, and adaptability.

Psychological factors

A person's buying choices are influenced by four major psychological factors--motivation, perception, learning, and beliefs and attitudes.

Motivation: A person has many needs at any given time. Some needs are biogenic; they arise from physiological states of tension such as hunger, thirst, discomfort. Other needs are psychogenic; they arise from psychological states of tension such as the need for recognition, esteem, or belonging. Most psychogenic needs are not intense enough to motivate the person to act on them immediately. A need becomes a motive when it is aroused to a sufficient level of intensity. A motive is a need that is sufficiently pressing to drive the person to act. Satisfying the need reduces the felt tension. Psychologists have developed theories of human motivation. Three of the best known--the theories of sigmund freud, abraham maslow, and frederick herzberg--carry quite different implications for consumer analysis and marketing strategy.

Freud's theory of motivation: Freud assumed that the real psychological forces shaping people's behavior are largely unconscious. Thus a person cannot fully understand his or her own motivations.

Maslow's theory of motivation: Abraham Maslow sought to explain why people are driven by particular needs at particular times. Maslow's theory says that human needs are arranged in a hierarchy, from the most pressing to the least pressing. In their order of importance, they are physiological needs, safety needs, social needs, esteem needs, and self- actualization needs (figure 6-3). People will try to satisfy their most important needs first. When a person succeeds in satisfying an important need, that need will cease being a current motivator, and the person will try to satisfy the next-most-important need.

Herzberg's theory of motivation: Frederick Herzberg developed a two-factor theory of motivation that distinguishes dissatisfies (factors that cause dissatisfaction) and satisfiers (factor that cause satisfaction). Herzberg's theory of motivation has two implications. First, sellers should do their best to avoid dissatisfies (for example, a poor training manual or a poor service policy). While these things will not sell the computer, they might easily unsell the computer. Second, the manufacturer should identify the major satisfiers or motivators of purchase in the market and then supply them. These satisfiers will make the major difference as to which computer brand the customer buys.

Perception: A motivated person is ready to act. How the motivated person actually acts is influenced by his or her perception of the situation. Perception is the process by which an individual selects, organizes, and interprets information inputs to create a meaningful picture of the world. Perception depends not only on the physical stimuli but also on the stimuli's relation to the surrounding field and on conditions within the individual.

Selective attention: People are exposed to a tremendous amount of daily stimuli. For example, the average person may be exposed to over 1,500 ads a day. Because a person cannot possibly attend to all of these stimuli, most stimuli will be screened out--a process called selective attention. Selective attention means that marketers have to work hard to attract consumers' notice. Their messages will be lost on most people who are not in the market for the product. Even people who are in the market may not notice a message unless it stands out from the surrounding sea of stimuli. Ads that are novel or larger in size, use bold colors, or provide contrast to their surroundings is more likely to be noticed.

Learning: When people act, they learn. Learning involves changes in an individual's behavior arising from experience. Most human behavior is learned. Learning theorists believe that learning is produced through the interplay of drives, stimuli, cues, responses, and reinforcement. A drive is a strong internal stimulus impelling action. Learning theory teaches marketers that they can build up demand for a product by associating it with strong drives, using motivating cues, and providing positive reinforcement.

Beliefs and attitudes: Through doing and learning, people acquire beliefs and attitudes. These in turn influence their buying behavior. A belief is a descriptive thought that a person holds about something. Manufacturers are very interested in the beliefs that people carry in their heads about their products and services. These beliefs make up product and brand images, and people act on their images. If some beliefs are wrong and inhibit purchase, the manufacturer will want to launch a campaign to correct these beliefs.

Just as important as beliefs are attitudes. An attitude is a person's enduring favorable or unfavorable evaluations, emotional feelings, and action tendencies toward some object or idea. People have attitudes toward almost everything: religion, politics, clothes, music, food, and so on. Attitudes put them into a frame of mind of liking or disliking an object, moving toward or away from it.

Product development (new product development, or npd)
Product development, also called new product management, is a series of steps that includes the conceptualization, design, development and marketing of newly created or newly rebranded goods or services. The objective of product development is to cultivate, maintain and increase a company's market share by satisfying a consumer demand
Product development frameworks

1. I Idea generation

The development of a product will start with the concept. The rest of the process will ensure that ideas are tested for their viability, so in the beginning all ideas are good ideas (to a certain extent!)

Ideas can, and will come, from many different directions. The best place to start is with a SWOT analysis, (strengths, weaknesses, opportunities and threats), which incorporates current market trends. This can be used to analyse your company’s position and find a direction that is in line with your business strategy.

In addition to this business-centered activity, are methods that focus on the customer’s needs and wants. This could be:

- Under-taking market research
- Listening to suggestions from your target audience – including feedback on your current products’ strengths and weaknesses.

- Encouraging suggestions from employees and partners
- Looking at your competitor's successes and failures

2.Idea screening

This step is crucial to ensure that unsuitable ideas, for whatever reason, are rejected as soon as possible. Ideas need to be considered objectively, ideally by a group or committee.

Specific screening criteria need to be set for this stage, looking at roi, affordability and market potential. These questions need to be considered carefully, to avoid product failure after considerable investment down the line.

3.Concept development & testing

You have an idea and it's passed the screening stage. However, internal opinion isn't the most important. You need to ask the people that matter – your customers.

Using a small group of your true customer base – those that convert – the idea need to be tested to see their reaction. The idea should now be a concept, with enough in-depth information that the consumer can visualise it.

4. Business analysis

Once the concept has been tested and finalized, a business case needs to be put together to assess whether the new product/service will be profitable. This should include a detailed marketing strategy, highlighting the target market, product positioning and the marketing mix that will be used.

This analysis needs to include: whether there is a demand for the product, a full appraisal of the costs, competition and identification of a break-even point.

5. Product development

If the new product is approved, it will be passed to the technical and marketing development stage. This is when a prototype or a limited production model will be created. This means you can investigate exact design & specifications and any manufacturing methods, but also gives something tangible for consumer testing, for feedback on specifics like look, feel and packaging for example.

6. Test marketing

Test marketing (or market testing) is different to concept or consumer testing, in that it introduces the prototype product following the proposed marketing plan as whole rather than individual elements.

This process is required to validate the whole concept and is used for further refinement of all elements, from product to marketing message.

7. Commercialization

When the concept has been developed and tested, final decisions need to be made to move the product to its launch into the market. Pricing and marketing plans need to be finalized and the sales teams and distribution briefed, so that the product and company is ready for the final stage.

8. Launch

A detailed launch plan is needed for this stage to run smoothly and to have maximum impact. It should include decisions surrounding when and where to launch to target your primary consumer group. Finally in order to learn from any mistakes made, a review of the market performance is needed to access the success of the project.

Development of brand

A brand is a distinguishing symbol, mark, logo, name, word, sentence or a combination of these items that companies use to distinguish their product from others in the market. Legal protection given to a brand name is called a trade mark.

Your brand-development process should always follow these major steps:

1. **Decide what you're going to brand.**

   Are you branding a product, a service, a company, or an individual?

2. **Do your research.**

   First, find out everything there is to know about your market. Then, find out everything there is to know about your product or service.

3. **Position your product or service.**

   Find and win a place for your offering in the marketplace and in consumers' minds by providing unique solutions to problems or needs that aren't already being addressed by competing products.

4. **Write your brand definition.**

   Your brand definition describes what you offer, why you offer it, how your offering is different and better, what unique benefits your customers can count on, and what promise or set of promises you make to all who work with and buy from your business.

5. **Develop your name, logo, and tagline.**

   Your name is the key that unlocks your brand image in your consumer's mind. Your logo is the brandmark or symbol that serves as the face of your brand. Your tagline is the memorable phrase that provides consumers with a quick indication of your product, brand, and market position.

6. **Launch your brand.**

   Your brand goes public when you unveil your name, logo, and slogan, and when you begin to tell your market the story of how your brand reflects what you stand for.

7. **Manage, leverage, and protect your brand.**

This is the "care and feeding" phase of the branding process; it's the step that leads to a strong, healthy, resilient brand. Just like good parenting, good branding management can be summed up in a single word — consistency.

8. **Realign your brand to keep it current.**

Occasionally, you can (and should) change how your brand is presented. From time to time, you need to update your brand presentation (the face of your brand) to keep it relevant to the market in which it lives.

Product

Definition: a product is the item offered for sale. A product can be a service or an item. It can be physical or in virtual or cyber form. Every product is made at a cost and each is sold at a price. The price that can be charged depends on the market, the quality, the marketing and the segment that is targeted. Each product has a useful life after which it needs replacement, and a life cycle after which it has to be re-invented.

There are two (2) main categories of products; **consumer products** and **business products**. Consumer products are sold to individuals to satisfy personal or family needs. Business products are sold to businesses to satisfy their needs or bough by a form to make into other products. The majority of all products or services fall under these two categories.
Consumer products: product purchased to satisfy personal and family needs. An example might be laundry detergent to clean clothes or a light bulb to light up a room at night. Each one is used by an individual or family.

- *Convenience products:* relatively inexpensive, frequently purchased items for which buying exert minimal purchasing efforts. Examples: toothpaste, soap, paper towels
- *Shopping product:* items for which buyers are willing to expand considerable effort in planning and making purchase. Example: tires, food, clothing, furniture
- *Specialty products:* items with unique characteristics that buyers are willing to expend considerable efforts to obtain. Example: car, jewelry, house or boat
- *Unsought products:* products purchased to solve a sudden problem, products of which customers are unaware, and products that people do not necessary think of buying. These products can include emergency products such as bandages and ointment and automobile parts used to repair a car. These products are not bought until they are needed.

Business products: products bought to use in a firm's operations, to resell, or to make other products. Example: plastic that is molded to form the outside shell of a toy doll or paper that is used to write a contract.

- *Installation:* facilities and no portable major equipment. Example: buildings, warehouses, forklift, dump truck, crane, large equipment.
- *Accessory equipment:* equipment that doesn't become part of the final physical product but is used in production or office activities. Example: paper, computers, trucks, conveyor systems used to transport ram materials, tools, sewing machine

- *Raw material:* basic natural materials that become part of a physical product. Example: sheet metal, plastic, nuts and bolts, fabric, wiring, glass, electronic components, power supply, wheels, glue, wood.
- *Component parts:* items that become part of a physical product and are either items that are finished items ready for assembly or items that need little processing before assembly. Example: windshield, tiers, printer ink, antenna, on/off switch, bike chain
- *Process materials:* materials that are used directly in the production of other products but are not readily identifiable. Example: flour for baking bread, glue for building a television set, oil for manufacturing laundry detergent.
- *Mro supplies:* maintenance, repair, and operating items that facilitate production and operations but do not become part of the finished product. Example: paper, pencils, oils, cleaning supplies, brooms, mops, detergent, paper towels

***Product range**:*

The product range, or product line, is a collection of products sold by the same manufacturer that are aimed at different segments of the market. All of the products in the range are connected, but some may be designed to attract teenagers while others may focus on older customers.

Product line:

Definition- a product line is a group of related products under a single brand sold by the same company.

Width

The width of a company's product mix pertains to the number of product lines that a company sells. For example, if a company has two product lines, its product mix width is two. Small and upstart businesses will usually not have a wide product mix. It is more practical to start with some basic products and build market share. Later on, a company's technology may allow the company to diversify into other industries and build the width of the product mix.

Length

Product mix length pertains to the number of total products or items in a company's product mix, according to philip kotler's textbook "marketing management: analysis, planning, implementation and control." for example, abc company may have two product lines, and five brands within each product line. Thus, abc's product mix length would be 10. Companies that have multiple product lines will sometimes keep track of their average length per product line. In the above case, the average length of an abc company's product line is five.

Depth

Depth of a product mix pertains to the total number of variations for each product. Variations can include size, flavor and any other distinguishing characteristic. For example, if a company sells three sizes and two flavors of toothpaste, that particular brand of toothpaste has a depth of six. Just like length, companies sometimes report the average depth of their product lines; or the depth of a specific product line.

Consistency

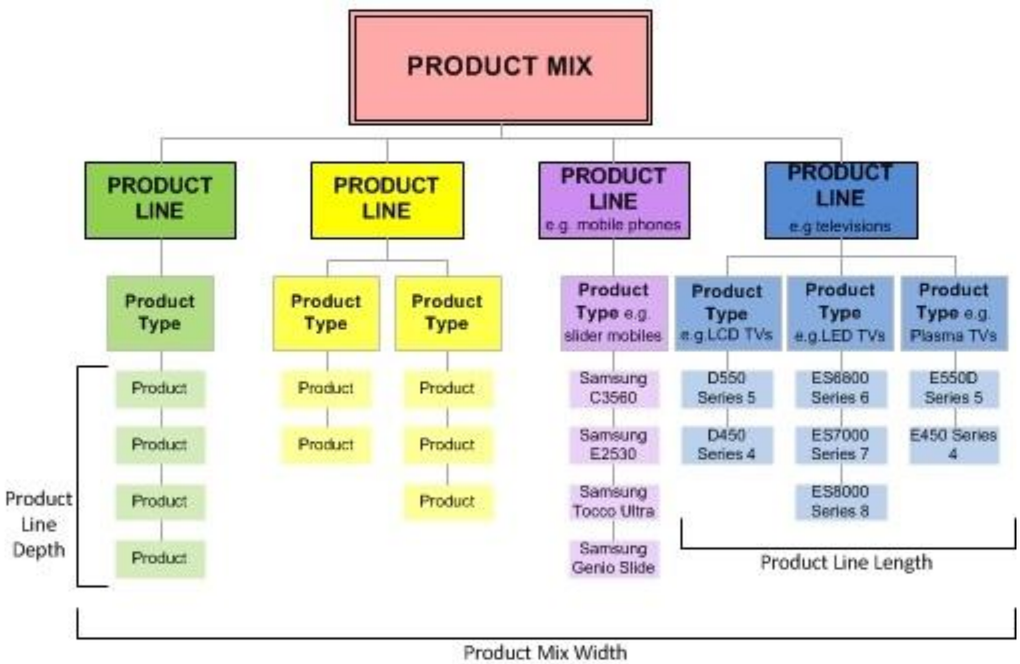
Product mix consistency pertains to how closely related product lines are to one another--in terms of use, production and distribution. A company's product mix may be consistent in distribution but vastly different in use. For example, a small company may sell its health bars and health magazine in retail stores. However, one product is edible and the other is not. The production consistency of these products would vary as well.

Product market mix strategy
Small companies usually start out with a product mix limited in width, depth and length; and have a high level of consistency. However, over time, the company may want to differentiate products or acquire new ones to enter new markets. A company can also sell the existing products to new markets by coming up with new uses for their product.

Product mix:

The complete range of products present within a company is known as the product mix. In any multi brand organizations, there are numerous products present. None of the organizations wants to take the risk of being present in the market with a single product. If the company has only a single product, than the demand of the product will be too great or the company does not have the resources to expand the number of products it has.

However, if the business market is any example, than all the top companies have multiple products. [Coca cola](), apple, microsoft, nestle, hindustan unilever, pharmaceutical companies, so on and so forth. These companies need to have a wide product portfolio to be present in the market and to have a sustainable business model. The combination of products that they have in their product portfolio can be the product mix.

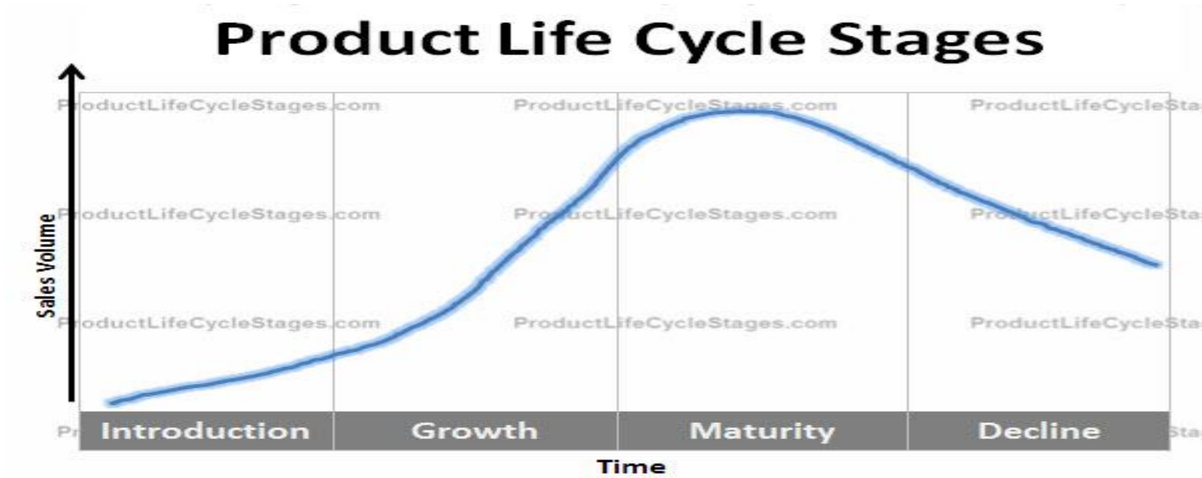


Product mix – as explained, product mix is a combination of total product lines within a company. A company like hul has numerous product lines like shampoos, detergents, soaps etc. The combination of all these product lines is the product mix.

Product line – the product line is a subset of the product mix. The product line generally refers to a type of product within an organization. As the organization can have a number of different types of products, it will have similar number of product lines. Thus, in nestle, there are milk based products like milkmaid, food products like maggi, chocolate products like kitkat and other such product lines. Thus, nestle's product mix will be a combination of the all the product lines within the company.

Length of the product mix – if a company has 4 product lines, and 10 products within the product line, than the length of the product mix is 40. Thus, the total number of products against the total number of product lines forms the length of the product mix. This equation is also known as product line length.

PLC



The product life cycle is an important concept in marketing. It describes the stages a product goes through from when it was first thought of until it finally is removed from the market. Not all products reach this final stage. Some continue to grow and others rise and fall.

The main stages of the product life cycle are:

Introduction – researching, developing and then launching the product
Growth – when sales are increasing at their fastest rate
Maturity – sales are near their highest, but the rate of growth is slowing down, e.g. New competitors in market or saturation
Decline – final stage of the cycle, when sales begin to fall.

UNIT-III

Market segmentation

Segmentation: the process of defining and subdividing a large homogeneous market into clearly identifiable segments having similar needs, wants, or demand characteristics.

The objective is to design a marketing mix that precisely matches the expectations of customers in the targeted segment.

The basic factors that affect market segmentation are:

1. Clear identification of the segment.
2. Measurability of its effective size.
3. Its accessibility through promotional efforts.
4. Its appropriateness to the policies and resources of the company.

The four bases for segmenting consumer market are as follows: a. Demographic segmentation b. Geographic segmentation c. Psychographic segmentation d. Behavioral segmentation.

A. Demographic segmentation:
Demographic segmentation divides the markets into groups based on variables such as age, gender, family size, income, occupation, education, religion, race and nationality. Demographic factors are the most popular bases for segmenting the consumer group. One reason is that consumer needs, wants, and usage rates often vary closely with the demographic variables. Moreover, demographic factors are easier to measure than most other type of variables.

1. Age:
It is one of the most common demographic variables used to segment markets. Some companies offer different products, or use different marketing approaches for different age groups. For examples, McDonald’s targets children, teens, adults and seniors with different ads and media. Markets that are commonly segmented by age include clothing, toys, music, automobiles, soaps, shampoos and foods.

2. Gender:
Gender segmentation is used in clothing, cosmetics and magazines.

3. Income:
Markets are also segmented on the basis of income. Income is used to divide the markets because it influences the people’s product purchase. It affects a consumer’s buying power and style of living. Income includes housing, furniture, automobile, clothing, alcoholic, beverages, food, sporting goods, luxury goods, financial services and travel.

4. Family cycle:
Product needs vary according to age, number of persons in the household, marital status, and number and age of children. These variables can be combined into a single variable called family life cycle. Housing, home appliances, furniture, food and automobile are few of the numerous product markets segmented by the family cycle stages. Social class can be divided into upper class, middle class and lower class. Many companies deal in clothing, home furnishing, leisure activities, design products and services for specific social classes.

B. Geographic segmentation:
Geographic segmentation refers to dividing a market into different geographical units such as nations, states, regions, cities, or neighborhoods. For example, national newspapers are published and distributed to different cities in different languages to cater to the needs of the consumers.

Geographic variables such as climate, terrain, natural resources, and population density also influence consumer product needs. Companies may divide markets into regions because the differences in geographic variables can cause consumer needs and wants to differ from one region to another.

C. Psychographic segmentation:
Psychographic segmentation pertains to lifestyle and personality traits. In the case of certain products, buying behaviour predominantly depends on lifestyle and personality characteristics.

1. Personality characteristics:
It refers to a person's individual character traits, attitudes and habits. Here markets are segmented according to competitiveness, introvert, extrovert, ambitious, aggressiveness, etc. This type of segmentation is used when a product is similar to many competing products, and consumer needs for products are not affected by other segmentation variables.

2. Lifestyle:
It is the manner in which people live and spend their time and money. Lifestyle analysis provides marketers with a broad view of consumers because it segments the markets into groups on the basis of activities, interests, beliefs and opinions. Companies making cosmetics, alcoholic beverages and furniture's segment market according to the lifestyle.

D. Behavioral segmentation:
In behavioral segmentation, buyers are divided into groups on the basis of their knowledge of, attitude towards, use of, or response to a product. Behavioral segmentation includes segmentation on the basis of occasions, user status, usage rate loyalty status, buyer-readiness stage and attitude.

1. Occasion:
Buyers can be distinguished according to the occasions when they purchase a product, use a product, or develop a need to use a product. It helps the firm expand the product usage. For example, Cadbury's advertising to promote the product during wedding season is an example of occasion segmentation.

2. User status:
Sometimes the markets are segmented on the basis of user status, that is, on the basis of non-user, ex-user, potential user, first-time user and regular user of the product. Large companies usually target potential users, whereas smaller firms focus on current users.

3. Usage rate:
Markets can be distinguished on the basis of usage rate, that is, on the basis of light, medium and heavy users. Heavy users are often a small percentage of the market, but account for a high

percentage of the total consumption. Marketers usually prefer to attract a heavy user rather than several light users, and vary their promotional efforts accordingly.

4. Loyalty status:

Buyers can be divided on the basis of their loyalty status—hardcore loyal (consumer who buy one brand all the time), split loyal (consumers who are loyal to two or three brands), shifting loyal (consumers who shift from one brand to another), and switchers (consumers who show no loyalty to any brand).

5. Buyer readiness stage:

The six psychological stages through which a person passes when deciding to purchase a product. The six stages are awareness of the product, knowledge of what it does, interest in the product, preference over competing products, conviction of the product's suitability, and purchase. Marketing campaigns exist in large part to move the target audience through the buyer readiness stages.

There are following criteria for an effective segmentation:

i. Measurable and obtainable:

The size, profile and other relevant characteristics of the segment must be measurable and obtainable in terms of data.

It has to be possible to determine the values of the variables used for segmentation with justifiable efforts. This is important especially for demographic and geographic variables. For an organisation with direct sales (without intermediaries), the own customer database could deliver valuable information on buying behaviour (frequency, volume, product groups, mode of payment etc).

ii. Relevant:

The size and profit potential of a market segment have to be large enough to economically justify separate marketing activities for this segment. If a segment is small in size then the cost of marketing activities cannot be justified.

iii. Accessible:

The segment has to be accessible and servable for the organisation. That means, the customer segments may be decided considering that they can be accessed through various target-group specific advertising media such as magazines or websites the target audience likes to use.

iv. Substantial:

The segments should be substantial to generate required returns. Activities with small segments will give a biased result or negative results.

v. Valid:

This means the extent to which the base is directly associated with the differences in needs and wants between the different segments. Given that the segmentation is essentially concerned with identifying groups with different needs and wants, it is vital that the segmentation base is meaningful and that different preferences or needs show clear variations in market behaviour and response to individually designed marketing mixes.

vi. Unique or distinguishable or differentiable:
The market segments have to be that diverse that they show different reactions to different marketing mixes. If not then there would have been no use to break them up in segments.

vii. Appropriate:
The segments must be appropriate to the organization's objectives and resources.

viii. Stable:
The segments must be stable so that its behaviour in the future can be predicted with a sufficient degree of confidence.

ix. Congruous:
The needs and characteristics of each segment must be similar otherwise the main objective of segmentation will not be served. If within a segment the behaviour of consumers are different and that they react differently, then a unique marketing strategy cannot be implemented for everyone. This will call for a further segmentation.

x. Actionable or feasible:
It has to be possible to approach each segment with a particular marketing programme and to draw advantages from that. The segments that a company wishes to pursue must be actionable in the sense that there should be sufficient finance, personnel and capability to take them all. Hence, depending upon the reach of the company, the segments must be selected.

xi. Some general considerations:
Apart from the above-mentioned characteristics, the segment must have some other features:
i. Growth potential
ii. Profitable
iii. Less risk prone

Evaluating market segment or criteria for segmenting
Market segmentation involves dividing a broad target market into subsets of consumers who have common needs (and/or common desires) as well as common applications for the relevant goods and services. These subsets may be divided by criteria such as age and gender, or other distinctions, such as location or income. Marketing campaigns can then be designed and implemented to target these specific customer segments.

an ideal market segment meets all of the following criteria:

- It is possible to measure.
- It must be large enough to earn profit.
- It must be stable enough that it does not vanish after some time. It is possible to reach potential customers via the organization's promotion and distribution channel.
- It is internally homogeneous (potential customers in the same segment prefer the same product qualities).
- It is externally heterogeneous, that is, potential customers from different segments have different quality preferences.
- It responds consistently to a given market stimulus.

- It can be reached by market intervention in a cost-effective manner.

  It is useful in deciding on the marketing mix.