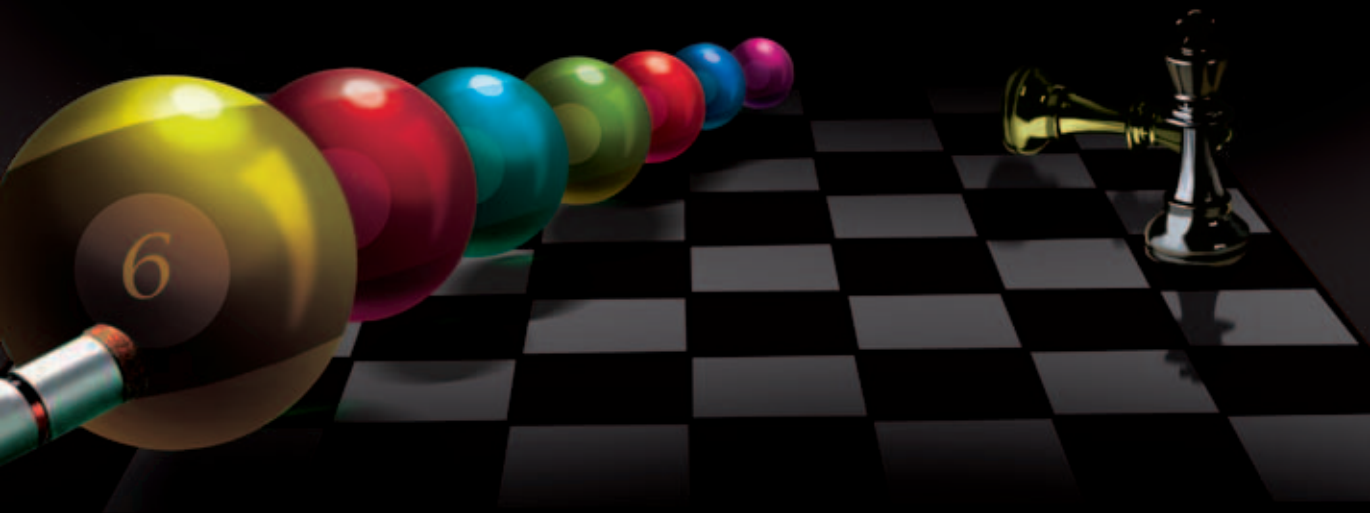


# Marketing Management

A Decision-making Approach

*Pingali Venugopal*



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Pingali Venugopal



**Response**

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# Preface

Most people think that marketing is only about advertising or selling. Even lots of business people perceive it to mean simply promotion and advertising (Bizjobs 2009).

Advertising is only one element of marketing, however, the most visible. Simply advertising would not ensure that the product sells. Advertising has to be supported by other activities of marketing. Unnecessary advertisements may be seen as a nuisance.

Selling is another element of marketing. Completing a sale does not ensure good marketing. Selling has a short-term orientation whereas marketing has a long-term orientation. Customers should be satisfied with what they are buying; they should not feel cheated after the purchase and create a negative propaganda for the product. An unsatisfied customer is the worst advertisement for a brand.

Marketing is about understanding customers' needs and finding ways to provide products or services, which customers demand. Marketing should start by creating a want for the product by associating it to a need and converting a technical product into a marketing product. Having developed the marketing product, marketing plans need to be formulated to satisfy the needs of the customer in a better way than the competing products. Factors which could help or deter the company in marketing the product must be taken into account considering the marketing environment. Finally, looking at marketing from the company's perspective, the company has to market the product at the lowest cost.



The book, therefore, discusses marketing to include all activities associated with identifying the needs of target customers and making them 'want' the product (by satisfying the customers better than the competitor) at the lowest possible cost.

The book is divided into three sections.

Section 1 focuses on the basics. Here the 'hierarchy of needs' is redefined to suit marketing requirements. The book also introduces the concept of rebel need, which could provide a basis for introducing new products that are not currently accepted by the society. This section also discusses the process of modifying technical products into several marketing products, thus, providing an option of choosing the ideal marketing product.

Section 2 focuses on information required for the marketing planning process. Environmental analysis and SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis are integrated to give a more meaningful analysis of this information. Similarly, consumer behaviour and competition are discussed to provide inputs for decision-making.

Section 3, covering marketing decisions, describes a process of developing loyal customers by building a multilayered positioning process.

The book is unique as it:

- redefines the need hierarchy to suit the marketing context;
- develops the marketing product concept, which would allow marketers to convert a technical product into more than one marketing product;
- integrates marketing environmental variables and SWOT analysis to give a better understanding of information for making marketing decisions;
- suggests a multilayered positioning strategy for companies.

# Acknowledgements

I began developing the concepts and frameworks discussed in this book several years ago. Gaps in these concepts and frameworks were rectified only with the help of the valuable comments given by my students over these years. It may be difficult to name the students individually. I sincerely thank each one of them for making this possible.

XLRI has always supported me through my endeavours. Their culture of encouraging flexibility, helped me to try innovative ideas and develop new concepts and frameworks. Special thanks to Fr Abraham, Director; Fr George, Dean (Administration and Finance); and all the faculty and staff for their support.

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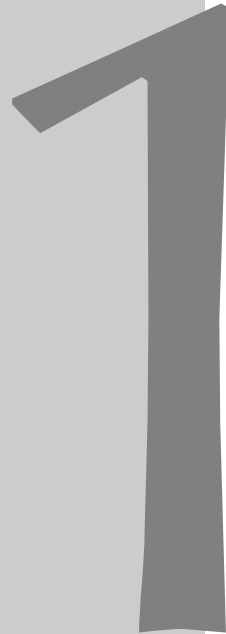
I also thank Sanjay Saha and Anjelina who helped me in the preparation of the manuscript.

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# Introduction





A

consumer-oriented economy is emerging in India. The Indian consuming class is also expanding. As a result of market capitalism and globalization, India has seen a dramatic rise in its middle class and a significant reduction in its low income, deprived group.

The McKinsey Global Institute study titled 'The Rise of India's Consumer Market' (May 2007) shows that:

- The 'deprived group' is expected to decrease from 77 per cent of the Indian population (1985) to only 3 per cent by 2025.
- India's middle class is expected to increase from 8 per cent of the population (1985) to almost 60 per cent of the population in 2025.

Indian and Western marketers alike wishing to take advantage of this growing market made 'the Indian marketplace extremely competitive' (Chao et al. 2004). Not only have multi-nationals stormed into the country, but there are more brands available than ever before in virtually every segment

of every market, making life difficult for corporates. New technologies, new legislation, and newer and better products keep companies on their toes. For the first time in India, consumers are beginning to deliver the final verdict. 'They are already finicky about what they want, are increasingly spoilt for choice, and will in future buy only what meets their every desire. Under such circumstances, only those who deliver superior value to their consumers on a continuous basis will survive and grow' (Aggarwal and Singh 2004).

Companies differing in their capabilities and governed by their company philosophy, company image and objectives have developed different growth-oriented marketing strategies to cater to this market. Some of them are successful and some not so successful.

For instance, Hindustan Lever found that the Indian middle class used high priced soap flakes or detergent for washing their expensive clothes and low priced detergents for inexpensive clothes and linen. So they developed a long product line to meet the needs of various groups of customers and to have wide market coverage (Rahman and Bhattacharyya 2003).

After the opening of the Indian market, the Honda Motor Company of Japan entered into its two-wheeler market. Despite its superior technology, quality, brand appeal and success in selling to the Western countries, the company failed to compete with Bajaj Auto, the largest manufacturer and seller of two wheelers in India. The company failed to gain acceptance and decided to withdraw from the Indian market in 1998. The major reason for withdrawal was that Indian consumers preferred low cost, durable machines and wide availability of maintenance facilities. Bajaj Auto scored over Honda in these respects (Dawar and Frost 1999).

ITC Ltd has developed a distribution network in India that replenishes the stocks of many small-scale sellers selling small quantities of goods worth a few hundred rupees per day, almost on a daily basis. This has helped the company to capture a market share of around 77 per cent by value in the Indian cigarette market (*Fortune* 1994).

Taking into account the fact that a large number of Indian consumers are vegetarian, McDonald's not only introduced vegetable burgers, but also decided to not serve beef in its restaurants lest it offended Hindu religious sentiments (Saxena 1997).

Nestle India, a subsidiary of Nestle S.A., launched an instant noodle in 1983 under the brand name Maggi. It is the first branded noodle in the organized sector and currently holds a market share of about 70 per cent. However, the product sale went up substantially only when Nestle included cooking instructions on the pack and added tastemakers to suit Indian taste buds (Saxena 1997).

Availability of adequate demand alone does not guarantee success. Companies need to adopt appropriate market-oriented strategies for success.

## PROCESS OF MARKETING

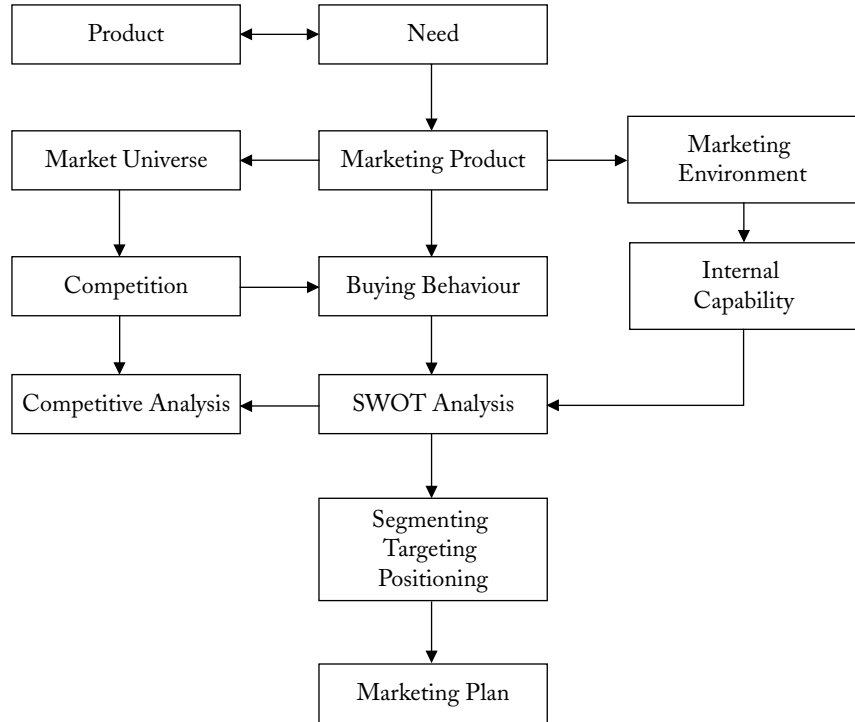
Marketing is all about satisfying the customer and ensuring that the consumers become loyal to the brand in question. As a company influences the consumer, its competitors also try to influence the customers about their products. As a result, companies should not only focus on acquiring customers, but should also reinforce their behaviour so as to ensure customer loyalty. This means that satisfying customers not only involves understanding the needs of the customers, but also ensuring that the company's products satisfy the customers' needs better than the competitor's. In satisfying the needs better than the existing products (competition), the company may have to tackle several externalities in marketing the product. This marketing also needs to be done without deviating from the company objective and working within the capabilities of the company.

Thus, marketing includes all activities associated with identifying the needs of the target customers and ensuring they buy the product (by satisfying the customers better than the competitors) by working within the capabilities of the company. The underlying principles for marketing can be summarized by the three Cs.

- Satisfying the needs of the CUSTOMER
- Better than the COMPETITOR
- By working within the COMPANY'S CAPABILITIES



This detailed process of marketing is depicted in Figure 1.1.



**Figure 1.1** Marketing planning process

*Source:* Author

## OVERVIEW OF THE BOOK

### Section 1: Understanding the Basics

**Chapter 2: Needs, Wants and Need Hierarchy**—This chapter describes the satisfaction of a need as the base for any purchase. Starting by defining the

different needs as described by Maslow, the chapter introduces the concept of a 'rebel need', which could form a basis for the entry of innovative or new products from different cultural settings. The modified 'needs' framework for marketing purposes is suggested.

Chapter 3: Marketing Product—The concept of the marketing product, which is different from the technical product, is presented in this chapter. The chapter shows that several marketing products are possible from one technical product. The levels of the marketing product, the competition at the different levels and the process of identifying the ideal marketing product also are discussed in this chapter.

## Section 2: Understanding the Market

Chapter 4: Marketing Environment—The chapter discusses the various external factors that could impact the marketing process. The importance of scanning the environment on a continuous basis and drawing marketing implications is dealt with.

Chapter 5: SWOT Analysis—The chapter presents a framework that integrates the marketing environment variables with the internal capabilities of the company to do the SWOT analysis.

Chapter 6: Purchase Process—This chapter starts by discussing the different stages involved in the consumer decision process and highlights three important decisions possible during the decision process (product decision, brand decision and store decision). The chapter goes on to present the variations in the decision process and identifies the implications for marketing.

Chapter 7: Competitive Advantage: Building Entry Barriers—The chapter begins with the elucidation of the various types of entry barriers. Subsequently, using the Industrial Organization Economics concepts and the Porter's five forces model, the chapter discusses how the entry barriers need to be built.

## Section 3: The Decision-making

Chapter 8: Segmentation and Targeting—The chapter presents a decision-making approach for segmentation after discussing the basis of segmentation and the different variables that could be used for segmentation. It also discusses the process of identifying target segments.

Chapter 9: Positioning—The concept of positioning and the way a company should differentiate itself from the competitors at different stages of the product life cycle are discussed. The chapter also discusses the success of marketing using the analysis of the intended positioning and the actual positioning.

Chapter 10: Marketing Planning Process—Based on the concepts discussed in the earlier chapters, this chapter discusses the marketing planning process, which involves moving a product from a low involvement product to a high involvement product by changing the way consumers evaluate quality.

# **Section 1**

## **UNDERSTANDING THE BASICS**





# **Needs, Wants and Need Hierarchy**

# 2



A

walk along the shopping mall presents a lot of activity. People are seen browsing, bargaining or purchasing various products and services. Why and what does one purchase? The answer is what most marketers would be interested in understanding. At the base of every purchase is the satisfaction of some need. This chapter describes consumer needs and how individuals work towards satisfying these needs by purchasing products.

## NEEDS

Human needs are an essential concept underlying the marketing process because needs are translated into consumer purchases. Raiklin and Uyar (1996) state that needs are characterized as desires of individuals to satisfy their quest for acquiring goods and services.



Human needs are often described as a state of real or perceived deprivation. Consumers buy products that will best satisfy their needs (Truell 2001).

Commonly used classification of needs is given by Abraham Maslow (Pingali 2008). According to Maslow, humans are motivated by one or more of the following needs:

- Physiological needs: These needs are fundamental for survival and include things like food, water, air, shelter and sleep. These basic needs take priority over other needs.
  - *Maggi noodles (aim to satisfy basic need):* 'Mummy, I'm hungry...'
- Safety needs: Consumers need to feel that their lives are not in danger. Consumers are concerned with things like staying safe from physical harm, sickness and having enough money to live.
  - *Cerelac emphasizes this need:* 'Along with homemade food, I also consider Cerelac important for balanced nutrition.'
- Belonging/love needs: Individuals always desire to feel loved by others. They want to fit in and belong to certain groups and seek out companionship. Failing to satisfy such needs, consumers experience loneliness, depression and other mental health problems.
  - *Colgate Advanced Whitening (highlights the need for peer approval):* 'There are some accessories that go with everything. Like a handsome man or a beautiful smile.'
- Esteem needs: Individuals strive to gain recognition and respect from peers.
  - *Solitaire from La Opala in its advertisement states:* 'For those who constantly wish to remind others of class distinction, the value of Solitaire should be evident... Few, in history, have been privileged to see such masterpieces. Fewer still, the luxury of possessing one.'
- Self-actualization needs: These needs are about harnessing individual talents by making the most of the opportunities to develop up to the individual's maximum potential.

- o *Dinesh suitings brings it out in their campaign:* 'Be Somebody. There is a time in life when it doesn't matter what others think. Because deep down you're sure what you are.'

Maslow stated that in order to move up the hierarchical ladder, one has to basically meet the needs of the previous step. In a study, Tikkanen (2007) discovered that five sectors of food tourism were linked to the Maslow's hierarchy of needs.

## THE ROLE OF MARKETING

In one way or another, all products and services address needs. Marketing does not create needs. Consumers already have needs, which are fulfilled when they purchase goods, ideas and services.

- Consumers buy bottled drinking water to satisfy their need for hygiene.
- Consumers buy fire insurance policy to satisfy their need for security.
- Consumers, very often, buy dresses which are acceptable to peers to fulfil a social need.
- Consumers want to buy luxury cars to be respected by others, fulfilling status need.

In other words, consumers would 'want' products that satisfy needs, and the role of marketing would be to convert these generic needs into a want for specific goods, ideas or services. Table 2.1 provides examples of wants satisfying different needs.

Marketers must, therefore, develop solutions that address consumer needs. Then, they must educate prospects about how their products and services will meet these needs better/faster/cheaper than the existing products in the market. For example, Horlicks claims that it would make

**Table 2.1** Wants satisfying different needs

<b>Need</b>	<b>Wants Under Clothing Category</b>	<b>Wants Under Fitness Category</b>
Basic	Normal wear	Mattress for sleeping
Security	Woolen wear	Shoes for walking
Social	Jeans	Member of gymnasium
Status	Premium branded clothes	Golf
Self-actualization	Saffron clothing	Adventure sports

*Source:* Author

children taller, stronger and sharper (satisfying the need of health better than other products).

A product or service need not satisfy one need only. For example, food need not satisfy basic needs only. Food with quality certification satisfies security needs too. Eating Chinese food to give company to friends is satisfying the need of belonging (social need). Eating exotic fruits satisfies one's need for esteem. Drinking water from Ganges with the aim of purifying oneself aims at self-actualization.

## NEED HIERARCHY

Does the consumer move from a lower order need to the next higher order need only after completely satisfying the lower order need? While Maslow has stated the needs to be hierarchical, Mitra and Venugopal (2000) found that the lower income group consumers in rural India also demand high status consumption goods, especially in the more visible categories of cosmetics and clothing. The study concluded that substitution of lower order essentials by higher status non-essentials, both in the choice of the consumption basket as well as in the use of savings was common. The category of status goods selected after satisfying a minimum level of lower order needs (basic and security needs) by different

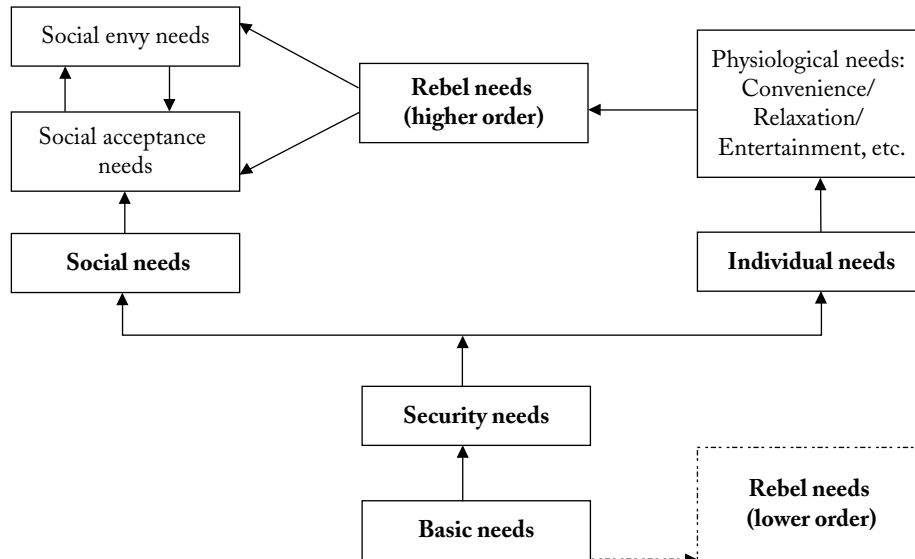
groups was found to be dependent on the way the group wishes to enhance its status (see Table 2.2).

**Table 2.2** First category of status goods sought by the consumers after satisfying a minimum level of lower order needs

Segment	Status Products Preferred
Traditional landlords	Household articles
Large and medium farmers	Clothing
Small and marginal farmers	Higher value food
Caste-based labour	Flashy unbranded clothing

Source: Mitra and Venugopal (2000)

So, a consumer may satisfy the basic and security needs to a minimum threshold level and then move to a higher order need<sup>1</sup> either individual or social (Figure 2.1).



**Figure 2.1** Hierarchy of needs: A marketing perspective

Source: Author

This behaviour is supported by the following examples:

- People eating 'junk' food: Many consumers are aware of the fact that 'spicy junk' food at places of entertainment may cause health problems. But to satisfy the social need of belonging, they eat spicy junk food.
- Failure to take vehicle insurance: To avoid the hassle of contacting an insurance agent, people do not take vehicle insurance.
- In both cases, consumers perceive a certain amount of safety (lower order need) and so they move to a higher order of individual need of convenience.

## REBEL NEED: AS A CONCEPT

The presence of numerous cultural, economic, political and other differences between markets of different countries requires managers to develop products to meet the demands of local markets as wants are shaped by both cultural influences and individual preferences. However, with the process of unification of global markets, there has been a rise in the need for consistency in the image of product brands, and global brands wish to have the same name, same style and use the same creative strategy everywhere in the world. They, therefore, require strategies to influence the cultural and social aspects for adoption of company's products.

A study on the Korean market found that transnational companies promote a consumption ethic that encourages people to embrace Western-style material lifestyles. These global marketers have been successful in convincing an increasing number of Korean consumers that consumption is economically desirable. This is contrary to the traditional Korean perspective discouraging consumption. The diffusion of this new consumption ethic has significantly affected buying behaviours of many Koreans (Park and Burns 2005). Similarly, some countries have adopted cigarette smoking as part of their culture (Steen 2008).

So, not only does culture influence marketing; but marketing also influences culture. In the long run, as more markets become global and standardization

of marketing mix increases, the rate of cultural changes will also increase. For example, adoption of jeans in India and other countries has come about because of the popularization of Western culture.

Cultures change slowly, and these products meet with a lot of resistance. Therefore, the primary task for marketers is to identify people who would be willing to take the risk of acting against the dominant culture and influencing them to become early adopters of these products (Guang 2005).

Thus, marketers may have to address the need to act differently (rebel) among some people within a society and make them purchase and use the product (currently not accepted by the society). The youth is often seen as a group who could be influenced by creating the 'rebel needs'.

Our media effects the youth of today to make them act in such rebellious ways. Boys and girls, watching kids their own age on television, are easily influenced by what they see. If they see characters in a show or movie that they idolize because they are 'cool', they may mimick the characters' actions, even if they are sneaking out, taking their parents car, throwing large house parties, drinking and many other things that would make them feel cool.<sup>2</sup>

Companies should, therefore, focus on the groups that has the 'need to rebel' to introduce new products/concepts not currently accepted by the society.

'Why should boys have all the fun' *campaign by TVS scooty.*

Catering only to a small group of customers with rebel needs would not be sufficient, so over a period of time, the companies should also strive to make others accept the new product/concept by getting it culturally accepted (for example, acceptance of jeans, perfumes, lip sticks, and so on, in India). Thus, rebel needs would be an important entry point for innovative products.

Figure 2.1 also shows how rebel needs should be initiated and modified over time. Ideally, a rebel need could be initiated from the individual needs which may not be socially acceptable (for example, body massaging which satisfies the need of relaxation). After identifying the rebel need, it has to

be projected as a social envy need (body massaging being provided in luxury resorts). This way, a marketer would be in a position to attach a premium value for the product. Since people want to express their status, people from the other income categories would also want to avail the product or service. And over a period of time, the product/service would become a socially acceptable product. In some cases, a rebel need could be focused directly at the social acceptance level. However, here the value derived by the consumer would be less as compared to a rebel need being projected as a social envy need. For example, north Indian dresses, salwar kameez, satisfied a comfort need for south Indians (an individual need) but were not socially acceptable. These dresses had to address the rebel need. The dresses were however not projected at the social envy level but at the social acceptance level.

People whose basic needs are not satisfied may also be rebellious; however, this leads to anti-social activities which are banned. Marketing should therefore focus only on rebel needs which emerge from higher order needs (individual needs) and not those emerging out of lower order needs (basic needs and security needs).

The process of defining the ideal marketing product/service using the concept of understanding of the needs is described in the next chapter.

## Notes

1. A parallel: The valency theory explaining the number of electrons in an orbit could be a parallel. As per the theory, though the maximum number of electrons in a ring could be more, the electrons jump to the higher orbit after filling a minimum number of electrons in that orbit.
2. ExampleEssays.com. 1999. 'Why Teens Feel a Need to Rebel'. Available online at <http://www.exampleessays.com/viewpaper/35877.html> (accessed 29 July 2008).



# **Marketing Product**

# 3





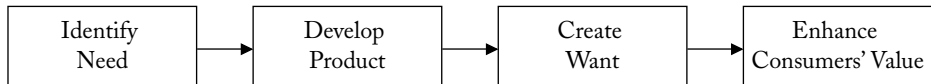
On the surface it seems a product is simply a marketing offering, whether tangible or intangible, that someone wants to purchase and consume. In which case one might believe product decisions are focused exclusively on designing and building the consumable elements of goods, services or ideas. For instance, one might think the key product decision for a manufacturer of footwear is to focus on creating shoes of different sizes. In actuality, while decisions related to the consumable parts of the product are extremely important, the marketing product consists of more than just the footwear. (Kotler and Armstrong 2001)

**T**his chapter differentiates between the technical product and the marketing product, and discusses how an ideal marketing product should be developed.

## MARKETING PRODUCT CONCEPT

The traditional approach to marketing starts by identifying a need that is to be satisfied and then develops the product. Later, as competition increases,

the company enhances value by adding attributes and services. Here marketing is about understanding customers and finding ways to provide products or services (Figure 3.1).



**Figure 3.1** Traditional approach to marketing

Source: Author

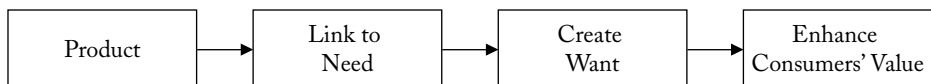
This approach presupposes that new products are being developed to satisfy needs. For example, Amway which advertises:

*We make better products in a whole new way: We use our ears.*

*...That's Amway, a company that spends money where it matters. In Research and Development.*

However, it is always not the situation. There could be situations when new products are invented (by chance) and require to be marketed (for example, Scotch-Brite) or products are imported and need to be marketed in the new geographic market (dish washers in India). In such situations, the process of marketing has to start with the product.

In the 'marketing product' approach, the technical product has to be linked to a need (Figure 3.2). Here, marketing is the process of presenting a product to its target audience in a way that they associate the product to a need and thereby creating a want for the product.



**Figure 3.2** Product-market fit

Source: Author

In these situations, the customer may not initially have a want for a product. Marketing would have to create the 'consumer wants' by associating the product to a need. For example, Indian consumers felt that scrubbing was important for washing clothes. Whirlpool linked washing machines to the need of cleanliness by convincing that washing machines 'perform the scrubbing action'. This association has increased the acceptance of washing machines. The process of linking the product to the consumers' needs is defined as the marketing product concept.

The advantage of marketing product (product to need) approach is that a product can be converted to several marketing products catering to different groups of people. For example, bread can satisfy the lower order need of hunger, or alternatively it could be projected to satisfy the status need by associating it with Western culture. Table 3.1 describes how bread could be marketed to satisfy different needs (also refer Box 3.1 for different detergent needs).

**Table 3.1** Needs satisfied by bread

Basic need only	Hunger
Basic and health need	Food with low fat
Basic, health and social need	Food with low fat which keeps one slim
Basic need along with status need	Western lifestyle

*Source:* Author

The marketing product approach also allows existing products to easily redefine themselves in case the initial approach fails. For example, dishwashers were initially launched to give the Indian kitchen an 'international look', a status need (Maharaja dishwasher). Since consumers did not associate status need to dishwashers, it was redefined as a product satisfying the convenience need (IFB dishwasher). Similarly, Dettol soap, when initially launched as health soap, did not find favour with the Indian consumers and so it was relaunched by associating with the need of family protection.

**Box 3.1** Needs satisfied by detergents

Security needs—Detergents tend to satisfy the security need of personal hygiene by providing a means of washing clothes.

Social envy needs—Detergent companies showing a person feeling inferior due to poorly washed clothes and success of people wearing cleaner clothes exploit the social envy need of consumers. The campaign ‘uski saadi meri saadi se safed kaise’ (how is her sari so clean and white as compared to my sari) is a reflection of the social envy of a person.

Rebel needs—Presently, there have been attempts to position detergents as a means of satisfying rebel needs, an example being the daughter-in-law and mother-in-law conflict shown in some Ariel campaigns.

*Source:* Author

## Car as a Marketing Product

A car is a technical product. By associating it with different needs, the same technical product can be converted into different marketing products. Car as a ‘mode of transportation’ can satisfy a ‘convenience (individual) need’ for transportation or a ‘social need’, as car forms an integral part of one’s personality and plays a significant role in defining the position of a person.

## Sand as a Marketing Product

For example, Maruti produces cars that range from the small cars which satisfy the need of convenience to luxury cars that satisfy status need.

The technical product and the marketing product could be explained by taking the example of sand. A typical exercise the author uses in class is

that of asking the students to market and identify the money they can make from a truck load of sand (10 metric tonnes [MT]).

Since sand is commonly seen as a technical ingredient used in the preparation of concrete (core product), the students would state an amount ranging from Rs 2,000 to Rs 5,000, and the differential price is for delivery and other service-related aspects. However, sand could provide several other benefits, each providing a different scope for marketing.

One needs to think of creative uses for adopting the marketing product approach. The same 10 MT load of sand could be used for other purposes, each to satisfy different needs of the buyer.

- Sand bags used for exercising could satisfy the fitness requirement of an individual (health need).
- Sand pits in schools/parks could provide entertainment value to children.
- Sand used along with paint can enhance the beauty of the house thereby giving an aesthetic value (social need).

Each of the above variants satisfying different needs signify different marketing products.

## MARKETING IMPLICATIONS

It should be noted that as the need satisfied changes, the group of people who would want the product would be different. The set of products which would compete with it would also be different. Each marketing product (based on the need satisfied) would define the 'market universe' (consumers who would or should want the product) and the competition. For example, sand bags would be 'wanted' by gymnasiums, sports complexes and boxing schools and this would compete with other forms of fitness and sports. Similarly, sand used for sand pits would be desired at

schools, parks, and so on, and would compete with other entertainment activities.

The value derived from each marketing product would also be different. The 10 MT of sand can be projected differently to derive a different value to the consumer, and so it could mean varying monetary benefit than what could be earned as marketing it as an ingredient for concrete.

Since different marketing products would be catering to different marketing universes, would be facing different type of competition, would require different effort and different approach for marketing, the process of identifying the ideal marketing product needs to be the first decision in marketing.

## EXPANDING THE MARKETING PRODUCT CONCEPT

In the marketing product concept, the company can define the tangible and intangible benefits to provide value to the consumer. The marketing product would be therefore layers of benefits that are added over the core technical product. To start with, a company should define the marketing product at three levels:

- Technical product, which includes the technical features of the product.
- Functional product, which includes the functional benefits derived by the consumers (typically the tangible benefits).
- Emotional product, which includes the emotional benefits derived from the product (mainly the intangible benefits).

In case of bread, the technical product would be the technical features like calories, fat, and so on. The functional product would be a food product consumed for satisfying the hunger need. The emotional product

would be defined as the benefit the consumer would derive by projecting that he/she is consuming the product. For some consumers in the developing countries, it may be satisfying the status need by projecting that one is consuming Western food instead of traditional food. Alternatively, it can be seen as an item which could be prepared easily and fast (satisfying the convenience need). Opel Astra, for example, defines its marketing product as follows:

Technical product: *Experience the joys of German engineering. The instrument panel designed to warp around the driving position, to provide a snug and functional cockpit. The driving seat not just ergonomically designed but planned with almost orthopaedic precision.*

Functional product: *The comfort of power steering. Astra takes the steepest slopes with a purr. Just give it the open road and watch the Astra flex its muscle and unleash its horses.*

Emotional product: *And as you enjoy the car, you realize that it's really Opel's commitment to safety that allows you to devote yourself to the pleasure of the drive.*

As mentioned, the need that the product proposes to satisfy would determine (a) the market universe for the product, and (b) the competition for the product.

## Defining the Market Universe

Market universe is defined as the total market that the product would cater to (that is, those who would want or the group that the company wishes to cater to). For example, if bread is catering to a convenience need, then it could cater to people who are in a hurry. The marketing universe would be the salaried 'double income' middle-class families, students and so on. If the product is satisfying the health need, then the market universe would be people who are health conscious (urban youth, elderly people, and so on).



## Identifying Competition

Since the product is satisfying different needs at different levels, the competition could be seen at each level:

- Competition at the Technical Product Level: This would be brand level competition, which includes other brands with different technical features. For example, in case of bread, it would be competition from different types of bread (Milk bread, brown bread and so on).
- Competition at the Functional Level: This includes all the other products providing the same functional benefit. Since bread is primarily seen as a breakfast food, it would compete with corn flakes, *idlis*, *paranthas*, and so on.
- Competition at the Emotional Level: If bread is projected as satisfying the status need, then the competition at this level would include all the food products which satisfy the status need. For example, pizza, burger, and so on (for Indian consumers). Alternatively, if it is projected as a convenience product (the product provides convenience in preparation), then it would compete with other convenience foods like Maggi, ready to eat snacks, and so on.

While competition at the technical product level determines the brand level competition, the functional and emotional products determine the assortment level competition or product level competition.

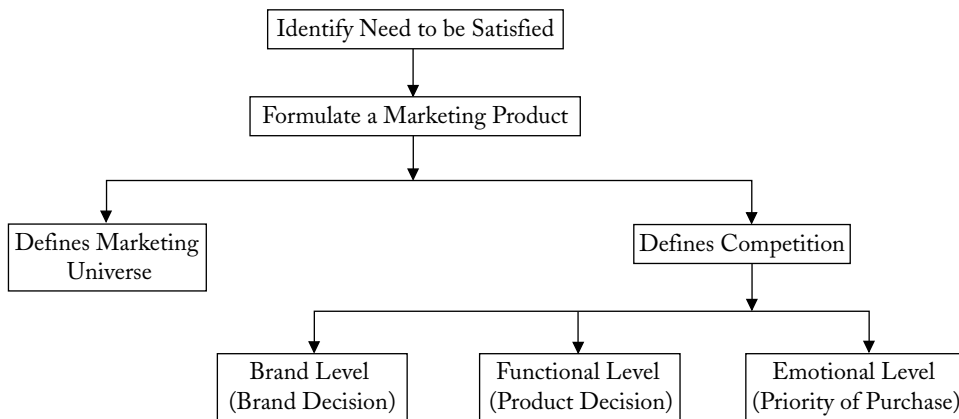
## Competition for Non-routine Purchases

Competition at the emotional level may override the functional level competition if there is a possibility of postponing the functional requirements (non-routine requirements). For example, people save money to buy products satisfying status, like a car. Therefore, the emotional level competition could decide the priority of purchase for non-routine purchases.

## MARKETING IMPLICATIONS

The marketing product could be diagrammatically depicted as depicted in Figure 3.3.

As seen, different needs can be satisfied by a product. Therefore, more than one marketing product could be developed for each technical product. So, deciding the ideal marketing product is critical. The process of identifying the ideal marketing product is explained using a case study.



**Figure 3.3** Marketing implications of marketing product

*Source:* Author

### Case Study: The Process of Identifying the Marketing Product, Using the Example of Yoga

All over the world yoga is being practised in a variety of ways by all sorts of people, young and old, rich and poor. The needs satisfied by yoga can be

extremely varied. Ramakrishnan (2005) states that today, yoga has become 'the in-thing'. Executives under stress, school children with special needs, men and women in the evening of their lives harassed by geriatric problems, prisoners on the path of reform, policemen tackling crime—all resort to yoga with great expectations.

### Marketing Product

Technical product: Technically, yoga is a set of asanas and breathing exercises.

Functional product: Yoga asanas are a technique for retraining the muscles to be able to relax. When the mind is constantly bombarded by stimuli, it becomes overloaded and exhausted. Yogic breathing exercises calm the mind using one's own thought power. This leads to an experience of inner peace, with physical relaxation following the mental relaxation.<sup>1</sup>

Emotional product: Here a marketer can satisfy different needs.

- Health need: Yoga could be associated with the security needs satisfying the need of 'health'; as some people find yoga as a solution to suffering from varied health disorders.<sup>2</sup>
- Relaxation need: Yoga can satisfy the individual need of relaxation as it helps achieve an All-Round Development of a calm, stress-free mind and a fit body.<sup>3</sup>
- Self-actualization need: Yoga is an Indian spiritual path aimed at achieving the union with the Supreme Consciousness. So, for some, yoga aims at the spiritual transformation and obtaining immortality.<sup>4</sup>
- Rebel need: In India, since yoga is more associated with spirituality and 'tradition', there could be a slight negativity associated with the present generation who adopt Western culture. So, it may be required to address the rebel needs of the youth. This should subsequently be converted to a socially acceptable solution for 'weight loss'. Yoga gives the best approach to lose weight gradually and

for good. Yoga tones the body in a uniformed manner, unlike any 'weight loss program'.<sup>5</sup>

## Marketing Universe

Based on the needs satisfied, the marketing universe for different marketing products is given in Table 3.2.

**Table 3.2** Marketing universe for different marketing products for yoga

Functional and Technical Product	Emotional Need Satisfied	Market Universe
Asanas and breathing exercises (technical product)	Spiritual	Elderly people (above 55 years)
Relaxation (functional)	Health	Middle aged (45–55 years)
(Same for all marketing products)	Rebel to social need	Executives (30–45 years)
		Teenaged and youth (15–25 years)

Source: Author

## Identifying Competition

- Competition at technical level  
All other forms of exercising
- Competition at functional level  
Activities which provide relaxation  
Golf, massage, exercise, walking, spending time with family
- Competition at emotional level

The competition for different marketing products is given below:

Emotional product satisfying spiritual need: Religious tourism, temples, discourses, reading

Emotional product satisfying health need: Exercise, walking, dieting

Emotional product satisfying rebel need: Dieting, aerobics, salsa

## Deciding the Ideal Marketing Product

Each marketing product would indicate the marketing effort required (depending on the market universe and the competition at the different levels). Using this understanding, the companies can decide as to which marketing product would be ideal for the company. A format (with some assumptions) for choosing the ideal marketing product for yoga is given in Table 3.3.

Based on Table 3.3 the company could look at marketing it as a health product for executives and middle-aged people.

The various marketing products possible for coffee parlours are described in Table 3.4 along with the marketing effort required for successful marketing. As in the case of yoga, the company has to decide which option would best suit them, given their capabilities.

**Table 3.3** Format for identifying the ideal marketing product

<b>Functional and Technical Product</b>	<b>Emotional Need Satisfied</b>	<b>Market Universe</b>	<b>Competition</b>	<b>Perceived Value</b>	<b>Marketing Effort</b>
Asanas and breathing	Spiritual	Elderly people (above 55 years)	Moderate	Low	High
Exercises (technical product)	Health	Middle aged (45–55 years)	High	High	High
Relaxation (functional)	Rebel to social need	Executives (30–45 years) Teenaged and youth (15–25 years)	High	High	High

Source: Author

**Table 3.4** Coffee parlours as a marketing product

S.No.	Emotional Product	Competition	Market Universe	Implications
1	Affordability, convenience	<ul style="list-style-type: none"> <li>• Small 'chai' shops and dhabas</li> <li>• Coffee vending machines at all places</li> <li>• Home-made coffee</li> </ul>	<ul style="list-style-type: none"> <li>• Low and middle class office goers</li> <li>• Marketing and sales &amp; distribution executives</li> <li>• Students</li> </ul>	<ul style="list-style-type: none"> <li>• Low pricing</li> <li>• High market penetration</li> <li>• Should be highly accessible</li> </ul>
2	Status, experience	<ul style="list-style-type: none"> <li>• 5-star hotels</li> <li>• Resorts</li> <li>• High-end restaurants</li> </ul>	<ul style="list-style-type: none"> <li>• High-end executives</li> <li>• Socially conscious young students and teenagers</li> </ul>	<ul style="list-style-type: none"> <li>• High pricing</li> <li>• Niche market and exclusivity to be maintained</li> </ul>
3	Leisure time	<ul style="list-style-type: none"> <li>• Beaches</li> <li>• Parks</li> <li>• Theatres</li> </ul>	<ul style="list-style-type: none"> <li>• Teenagers, college-going students</li> <li>• Couples</li> </ul>	<ul style="list-style-type: none"> <li>• High accessibility</li> </ul>

Source: Author

## TWO-LEVEL MARKETING

Understanding of the competition at the different levels would also determine whether marketing is to be done at one level or two levels. For example, if a product is low on the product priority, then the first task of marketing would be to change the priority for the product category before starting brand level marketing (example: Fruit juice, Table 3.5).

Once the marketing product is decided, the company is ready to market the product. The next section will identify the information required for developing effective marketing plans.

**Table 3.5** Marketing effort for different marketing products of fruit juice

<b>Technical and Functional Product</b>	<b>Emotional Product</b>	<b>Market Universe</b>	<b>Competition</b>	<b>Marketing Implication</b>
Low calorie food	Health conscious image	Middle class	Health drinks like Horlicks, Bournvita, etc. Health food (soya, protein) Sugar-free products	2-level marketing strategy: (1) Marketing health (since priority of health is low as compared to social needs) (2) Only at the second level the company has to market juices as a product which would ensure a healthy life Market size will be low but the value will be high
Refreshment	Energy drink	Youngsters, middle-aged office goers	Horlicks, flavoured milk, Glucon – D, Red Bull and other energy drinks	Since priority of energy drink is high, it would require only a 1-level marketing strategy: Marketing of juices to youngsters as an instant energy drink Market size and value will be medium
	Thirst quencher	Middle and upper class	Cold drinks, water, iced tea, nimbu pani, squashes	1-level marketing strategy: Marketing juices as a thirst quencher Market size would be high but value will be low

Source: Author

## Notes

1. Yoga.org.nz, "What is Yoga," [http://yoga.org.nz/what-is-yoga/yoga\\_relaxation.htm](http://yoga.org.nz/what-is-yoga/yoga_relaxation.htm) (accessed 24 April 2008).
2. Healthand yoga.com, "Health and Yoga," <http://www.healthandyoga.com/html/news-info.html> (accessed 24 April 2008).
3. Healthand yoga.com, "Health and Yoga," <http://www.healthandyoga.com/html/news-info.html> (accessed 24 April 2008).
4. Wikipedia, "Yoga," <http://en.wikipedia.org/wiki/Yoga> (accessed 24 April 2008).
5. Ankita Goel, "Yoga and Weight Loss," [http://www.healthandyoga.com/html/news/yoga\\_wt\\_reduce.html](http://www.healthandyoga.com/html/news/yoga_wt_reduce.html) (accessed 24 April 2008).

## **Section 2**

# **UNDERSTANDING THE MARKET**



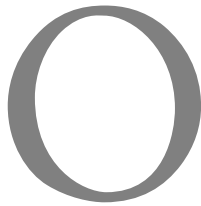




# **Marketing Environment**

# 4





nce the marketing product is defined, the success of marketing would depend on understanding the market situation and working out how to develop an appropriate marketing plan. This chapter discusses about the marketing environment that the company would face while marketing. The next chapters would conduct the SWOT analysis using this information and the company's capabilities.

## MARKETING ENVIRONMENT

The market environment refers to all external forces (Figure 4.1) that affect the marketing manager's ability to successfully market to the target customers (Kotler and Armstrong 2006). Moreover, since the environment is ever changing, the company needs to adapt itself.

The marketing environment is typically classified as the 'macro-environment', the 'micro-environment' and the 'internal environment'.

## The Macro-environment

This includes all factors that can influence the entire industry (political, socio-cultural, economic, technological, natural, and so on). For example, the government macro-economic policy of liberalization has affected all the companies. Similarly, demand for a product would influence all the players in the industry.

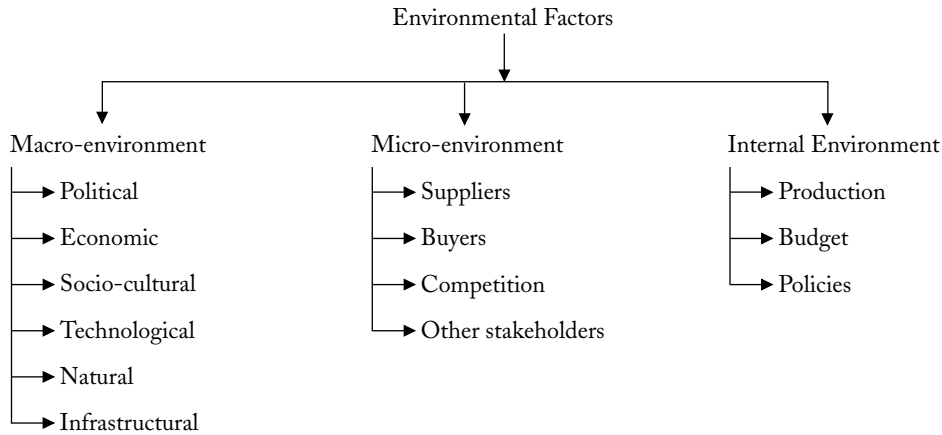
## The Micro-environment

This environment is predominantly specific to the company and influences the organization directly. It includes the suppliers who deal directly or indirectly, consumers and customers, competitors and other local stakeholders.

## The Internal Environment

All factors that are internal to the organization but external to the decision maker (in this case, marketing department) are known as the 'internal environment'. This could include the production process, the financial situation of the company, and so on.

Description of some macro-environmental factors affecting most industries in India is given (see Figure 4.1). The micro and internal environment variables which are organization-specific are given along with case studies in the later part of this chapter.



**Figure 4.1** Environmental factors

*Source:* Author

## DEMOGRAPHIC ENVIRONMENT

The demographic environment includes understanding the populations in terms of size, density, location, age, sex, race, occupation and other statistical information.<sup>1</sup> Understanding the demographic environment is important as it provides information about the potential of the market. Important demographic details of India<sup>2</sup> are given in Table 4.1.

Table 4.2 gives the population speaking different languages and this would help the companies in media planning.

A company should identify more specific demographic information to help its marketing programme. For example:

The morphing of rural India beyond agriculture: Rural India has reduced its dependence on agriculture. This is creating a different kind of rural market. National Council for Applied Economic Research (NCAER) occupation data shows (a) a decline in cultivators, and (b) an increase in the dual-sector households. The dual-sector households tend to develop a mindset of the urban people and this would have specific implications for marketing to this section.

**Table 4.1** Census of India (2003 est.)

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Population: 1,049,700,118

Age structure:

0–14 years: 32.2% (male 173,973,350; female 163,979,116)

15–64 years: 63% (male 342,620,712; female 319,259,867)

65 years and over: 4.8% (male 25,281,756; female 24,585,317)

Population growth rate: 1.47%

Birth rate: 23.28 births/1,000 population

Death rate: 8.49 deaths/1,000 population

Net migration rate: –0.07 migrant(s)/1,000 population

Sex ratio:

At birth: 1.05 male(s)/female

Under 15 years: 1.06 male(s)/female

15–64 years: 1.07 male(s)/female

65 years and over: 1.03 male(s)/female

Total population: 1.07 male(s)/female

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*Source:* [http://july.fixedreference.org/en/20040724/wikipedia/Demographics\\_of\\_India](http://july.fixedreference.org/en/20040724/wikipedia/Demographics_of_India)

The rise of the self-employed: Rural India has always been largely self-employed. But now the proportion of the self-employed in urban India has risen to 40 per cent plus, replacing the employed as the main salary earner. A study shows that even in the ‘creamy layer’, comprising the top two social classes in towns of 10 lakh plus population in urban India, 40 per cent of chief wage earners of households are shop owners, petty traders, businessmen and self-employed professionals.

Unlike the salary earner, the self-employed are fast adopters of any productivity tools that can help them earn more, thus reducing the priority of consumer goods.

Thus, demography statistics can help companies in developing proper supply chain, effective communication of product information and changing the product attributes to suit the requirements of the buyers.

**Table 4.2** India 2001 census: Percentage of population speaking major languages

Rank	Language	(Total population 1,004.59 million)	
		Speakers	Percentage
1	Hindi dialects	422,048,642	41.03
2	Bengali	83,369,769	8.11
3	Telugu	74,002,856	7.37
4	Marathi	71,936,894	6.99
5	Tamil	60,793,814	5.91
6	Urdu	51,536,111	5.01
7	Gujarati	46,091,617	4.48
8	Kannada	37,924,011	3.69
9	Malayalam	33,066,392	3.21
10	Oriya	33,017,446	3.21
11	Punjabi	29,102,477	2.83
12	Assamese	13,168,484	1.28

Source: [http://en.wikipedia.org/wiki/Demographics\\_of\\_India](http://en.wikipedia.org/wiki/Demographics_of_India)

## ECONOMIC ENVIRONMENT

Economic factors, such as employment, income, inflation, interest rates, productivity and wealth, influence the buying behaviour of consumers. Some economic variables are described below.

### Income

The Indian economy (Gurria 2007) has undergone a remarkable transformation between the period 1985 and 2006. The growth rate of average



incomes has increased from 1.25 per cent prior to 1980 to 7 per cent by 2006.

## Availability of Goods and Services

Growth in the availability of goods and services has been brought about by a paradigm shift in economic policies that has opened the economy to foreign trade and reduced direct tax rates and government influence over most investment decisions.

## Per Capita Income

The estimated per capita income in real terms as of today is about US\$800 while it was below US\$100 pre-liberalization. This is a major factor to consider while estimating the potential for the product.

## Income Disparities

India's growth performance has improved significantly over the past 20 years; however, it has been uneven across industries and states. While some service industries, notably the information and communications technology (ICT) sector, have become highly competitive in world markets—yielding considerable gains for employees and investors—manufacturing industries have lagged behind. The financial sector went through a period of considerable re-organization during the last 15 years. New regulations have boosted the development of highly efficient equity and commodity markets. The health of the banking sector has also improved and earning within the sector has increased.

## Consumer Spending Pattern

According to National Sample Survey 2005–2006 (NSS 2006), the average monthly per capita consumer expenditure (average MPCE) in 2005–2006 was Rs 625 in rural India and Rs 1,171 in urban India at 2005–2006 prices. The survey estimated that in 2005–2006, nearly 19 per cent of the Indian rural population belonged to households with MPCE less than Rs 365, that is, spending less than Rs 12 per person, per day, on consumption, at 2005–2006 prices. For rural Orissa and Chhattisgarh, the percentage of population with such low consumption expenditure levels was as high as 44 per cent. For Madhya Pradesh, Jharkhand and Bihar, the percentage was in the range 29–34 per cent.

In urban India, 22 per cent of the population belonged to households with monthly per capita expenditure less than Rs 580 (about Rs 19 per person, per day). In urban Bihar, 56 per cent of the urban population was in this category. In urban Orissa and Uttar Pradesh, the percentage was 36–38 per cent, and in all other major states it was under 30 per cent.

### Broad Pattern of Consumption in 2005–2006

Out of every rupee spent in 2005–2006 by the average rural Indian on consumption, 53 paise was spent on food. Of this, 17 paise was spent on cereals and cereal substitutes, 8 paise on milk and milk products, 6 paise on vegetables, 5 paise on sugar, salt and spices and 4 paise on beverages, refreshments, processed food and purchased meals.

Out of every rupee spent in 2005–2006 by the average urban Indian on consumption, 40 paise was spent on food. Of this, 9 paise was spent on cereals and cereal substitutes, 7 paise on milk and milk products, 6 paise on beverages, refreshments and processed food and 4 paise on vegetables.

Rural and urban households differed little in the share of the budget allocated to fuel and light (10 per cent for rural, 9 per cent for urban), clothing, including bedding and footwear (7 per cent for rural, 6 per cent for urban) and medical care (7 per cent for rural, 6 per cent for urban).

Rural and urban households differed noticeably in the share of the budget allocated to cereals (17 per cent for rural, 10 per cent for urban), rent (less than 0.5 per cent for rural, 6 per cent for urban), education (3 per cent for rural, 6 per cent for urban) and miscellaneous consumer services, including transport and telephone (8 per cent for rural, 14 per cent for urban).

The above data shows that most of the expenditure in monthly per capita income is for food. Marketers in the non-food category should compete for a share of the balance income.

## NATURAL ENVIRONMENT

The natural environment involves all the natural resources, such as raw materials or energy sources, needed by marketers for marketing activities.

Environmental concerns are growing over the years. Governments increased regulations to manage the natural resources. Marketers should be aware of these trends in the natural environment and take appropriate steps to combat them. For example:

### Inadequate Raw Materials

India has an over dependence on Middle East countries for petroleum products. So, automobile companies are improving their technologies and also planning to come out with hybrid cars which use alternative fuels.

### Effects on the Ozone Layer

It was only in the 1970s that scientists began to realize that the chlorine in Freon and other CFCs (chloro-fluoro-carbon gas) would break down in

the upper atmosphere and create a reaction that destroys ozone molecules, thereby allowing damaging ultraviolet light to penetrate to the Earth's surface.

With growing recognition of the dangers, 86 nations agreed in 1992 to end the production of CFCs in the industrialized world by the end of 1995, and in the developing world by 2005.

In addition, natural environment would include the weather conditions as this could have a significant impact on the performance of the product.

For example, a product that is to be used in a place with a higher temperature has to withstand that temperature. For example, the Onida advertisement questioning whether 'your Air conditioner can work at 48 degrees centigrade'.

## SOCIAL AND CULTURAL ENVIRONMENT

This includes institutions and other forces that affect the basic values, behaviours and preferences of the society, which in turn have an effect on consumer marketing decisions.<sup>3</sup>

The social and cultural influences on business vary from country to country. It includes factors discussed below.

### Changing Role of Women

The number of women who are working in India is increasing. So, couples who work long hours with less personal time is increasing. This segment is

looking towards products which help them to bring better work life balance. MTR a fast food giant in south India started offering ready-to-eat products to this segment.

These people are also looking for products which provide convenience. For example, Easy bill, from Hero group offers one stop solution to consumers to pay their utility bills and do other financial transactions.

## Social Acceptability of Western Lifestyle

Since Independence, Western lifestyle has been projected as the 'in thing' to millions of households all over India thus increasing the social acceptability of a foreign lifestyle.

## TECHNOLOGY ENVIRONMENT

Technology is vital for competitive advantage, as it is a major driver for product differentiation. The technological environment consists of those forces that affect the technology and which can create new products, new markets and new marketing opportunities.<sup>4</sup>

## Skill Set

India has developed advantage in knowledge-based sectors like software development, call centres, genetic coding and other such works which look for English-speaking, low-cost workforce;<sup>5</sup> thus, leading to competitive strength in routine (but skill intensive) tasks like coding (in software),

process development (pharmaceuticals) and less in product innovation and processes that are at the frontiers of global technology (Ray 2008).

## New Software

Manufacturing organizations have adopted many technology solutions in the recent years. For example, companies have adopted Enterprise Resource Planning (ERP) solutions, Customer Relationship Management (CRM) packages and other software to reduce the cost, retain the customer and improve the supply chain.

The adoption of the technological environment is seen in the launch of Tata Nano. Tata used different metal compositions, engine configurations and accessories to bring out the path-breaking entry-level car which cost just Rs 100,000 to the consumer.

## POLITICAL ENVIRONMENT

The political arena has a huge influence upon the regulation of businesses and the spending power of consumers and other businesses. The stability of the political system, government policies on taxes and foreign investments would also have a significant impact on the marketing of products in India.

Marketing environment is thus, a set of complex, rapidly changing and significant interacting institutions and forces that affect the organization's ability to serve its customers. Companies need to understand the environment and identify marketing implications for effective marketing. Refer Table 4.3 for environmental variables and the marketing implications for television industry in India.

**Table 4.3** Marketing environment for TV industry

Market Environment	Market Implications
<i>Demographic</i>	
India is the second most populated country in the world with huge diversity both in purchasing power and in exposure to technology	The television industry would need to reach the far corners of the nation and provide variants through quality and innovation. Thus, at any point in time, different variants need to be marketed to meet the varied demands of all these sectors. On the other hand, a product that is outdated in one sector could be used as an entry product in another. For example, black and white television.
Family structure: There is an increase in the number of nuclear families	This increases demand for durables. Moreover, nuclear families increase individualism and companies have started advertising for more than one television for a family (to satisfy individual needs).
Rural areas: Large part of the population still lives in villages	Television is still not a common product in many villages in India. This could be due to lack of proper infrastructure like power or broadcasting services apart from the cost factor. Some villages have one television to meet the needs of all the people.
<i>Economic</i>	
Increased affluence of urban middle class	With the increase in pay packets and increased purchasing power of the urban middle class the television industry has seen a rise in the market size.
Interest rates	With easy availability of financing schemes for consumer durables, the demand increased.
Pay channels	The growth of the television industry has always been influenced by the status of the broadcast facilities. The advent of cable television witnessed a huge boom in TV sales.
<i>Socio-cultural</i>	
Change in mindset of the population	The socio-cultural environment in India has seen a change from a highly conservative society to a society where entertainment has gained very high importance. This along with the need to be abreast with global information and events has also helped the television industry.
Status symbol	Initially owning a TV was a status symbol. This phase gradually has evolved to a condition where the kind of television one owns is the status determining factor. With the cost of a TV ranging from around Rs 3000 for a 12 inch B&W television to Rs 100,000 for a plasma TV, it is a clear indicator of status.

*Table 4.3 continued*

Table 4.3 continued

Children education	TV was once considered a deterrent to children's studies and hence harmful for the kids. Now it has metamorphosed into an information disseminator apart from an entertainment unit. With a number of knowledge-based channels coming into the fray and increase in the news channels, children are now encouraged to keep in touch with their world through the televisions.
<i>Legal/Political</i>	
Duties	The government policies have always been to encourage exports and discourage imports. That's why it levies high import duties making the cost of some components high.
Populist measures	Some political parties promised to provide the people in the low income segment with free colour televisions. This enhanced the demand for cheap TVs.
Conditional Access System (CAS)	The initial growth of TV has been mainly due to increased coverage and more channels. But the restrictive CAS requires more peripherals for accessing certain channels.
<i>Technology</i>	
Power availability	Power availability has been a major determining factor in the sale of TVs in India. With the infrastructure unavailable in most areas until the 1980s, sale of TVs were less. But with recent development and increase of power penetration in the country, sale of TVs have gone up.
Quality of power	Quality of power was always a constraint. So as a part of technology, the onus has been on manufacturers to come up with innovations that decreased the power consumption of the product and also to build in the capability to withstand power fluctuations.
Obsolescence of technology	The initiation of the TV industry in India happened with the black and white televisions. Even though the technology is now obsolete, the black and white televisions have their value in remote villages where the TVs are still very few in number.
Home Theater, LCD, Plasma, Surround Sound	The latest technological advancements and state-of-the-art functionalities come at a high price. It acts as a status symbol. In urban areas it is a matter of pride to own a high-end television set. But the market for these is restricted to the high-end customers.
Number of channels in the TV set	The advent of cable television and direct to home transmission has made this factor irrelevant.

Table 4.3 continued



Table 4.3 continued

*Competition*

Movies	This is a major competition to the TV industry. People like to go to movies because the experience is totally different. Given the major advances in special effects, the experience of watching a movie in a multiplex is preferred to watching it on the TV. The home theatre is the closest that the TV industry has come up with to meet this challenge.
Print media	Although one gets the latest news from the TV, one does not have the choice of which news item to watch. For some people the availability of tabloids, sports and other magazines is a substitute for the TV.
Radios	Traditionally, the radio has been the most widespread source of information and entertainment. Mid-1980 till 2000, the importance of visual media has pushed the radio to the second spot. But now with the emergence of FM radio channels in the metros, the radio has re-emerged as a source of entertainment, though the television market remains by and large unaffected by this (as FM channels cater to entertainment needs of people on the move).
Theatres/live shows	Not major sources of competition as theatres have not been attracting crowds lately.
Computers	Computers are a great source of information and entertainment. Also, the fact that they are used for official purposes makes it a necessity. The computer is now the biggest challenge to the TV industry. With the advent of TV tuner cards, one need not have a TV at all.

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Source: Author

## SCANNING THE ENVIRONMENT

Understanding the environment is not a one-time activity, companies need to constantly monitor the environment so that they can respond profitably to changing environmental factors.

Examples of the changes of environmental variables and their impact on the Chip (hardware) industry during July–August 2006 are described below.

## Changes in Political Variables and Their Implications

- **Subsidiary Tapp Semiconductor to set up Production & Packaging Plant in Sriperumbudur:** Tamil Nadu Chief Minister Mr Karunanidhi said the state has attracted Rs 16.5 billion of investment. These include mobile handset facility by Motorola and a radial tyre unit by Apollo Tyres. ‘The state government is keen to render all assistance to facilitate more such manufacturing facilities,’ Mr Dayanithi Maran said. Taking advantage of this, senior professionals from the semiconductor industry have formed Tapp Semiconductor India. It has been allotted 50 acres of land near Sriperumbudur and the state is expected to allot another 30 acres (*The Economic Times* 2006a).
- **Intel’s India plans run into a rough patch:** Intel’s plans to invest in India seem to have gone awry with the government not accepting its demand for capital subsidy and cheaper electricity. Intel has been lobbying for fiscal concessions and cheaper infrastructure, including land because of competitive rates being offered to the company in South East Asian countries like Vietnam (electricity rates in India are almost four times the rates in some of these countries). ‘We are taking it (proposal) seriously but there is a limit to what we can do. It is difficult to meet their demands,’ Commerce & Industry Minister, Kamal Nath said on Thursday (*Times News Network* 2006).
- **Trend setter Pune:** In a move to attract industry to set up operations in the Pune region, the Mahratta Chamber of Commerce Industries and Agriculture (MCCIA) has set up a portal, punebiz properties, which lists commercial and industrial properties available in the region. The MCCIA is also looking at getting the state government to de-zone unproductive and rocky land which is currently marked as agricultural (*Newswire* 2006).

*Implications:* The implications of the above government policies are that most of the state governments are rolling out the red carpet for the hardware design

sector, which has immense potential for expansion and employment. There are, however, infrastructural issues which are not resolved.

## Changes in Economic Variables and Their Implications

- Software industry Profit After Tax (PAT) rises 55 per cent in Quarter1 (Q1): The turnover of 65 software companies and their net profit have increased by 43.2 per cent and 54.6 per cent, respectively, in the first quarter of 2006–2007 compared to a rise of 30 per cent and 28 per cent, respectively, in the same period last year. And although, a large part of this additional profit has come from the leaders, Tata Consultancy Services, Infosys Technologies, Satyam Computers and Wipro, others in the list were not far behind. Some 19 of them have more than doubled their net profit in the first quarter of 2006–2007 (Mahanti 2006).

*Implication:* A robust growth across the software industry is an opportunity for hardware design industry as this implies an availability of outsourcing avenues. It also means easy availability of vendors who supply software tools vital for hardware design.

- Software and services exports, including IT enabled Services (ITeS), are estimated to have reached Rs 295 billion in the quarter ended June 2006, an increase of 32.29 per cent compared with the exports in the same period last year, according to data compiled by the Electronics and Computer Software Export Promotion Council (ESC). As per the ESC's projection, computer software and services exports during 2006–2007, including ITeS, will increase to Rs 1.4 trillion, up by 33 per cent over the previous year's figure of Rs 1.05 trillion. In the case of computer hardware, the estimated export for the quarter April–June 2006 was Rs 20 billion, which is a 25 per cent growth over the same period, last fiscal (Economy Bureau 2006).

*Implication:* The above report of ESC indicates a rise in export volume of computer hardware. This indicates a broadening of market for hardware design sector and is therefore an opportunity for this sector.

## Changes in Technological Variables and Their Implications

- With nanotechnology being utilized in almost every application, Anna University is taking efforts to introduce a course in nanotechnology, according to the Vice-Chancellor, D. Vishwanathan. The university is in the process of tying up with various foreign universities. 80 million rupees have already been sanctioned to develop necessary infrastructure for the course (Staff Reporter [*The Economic Times*] 2006).
- Micro Technologies India, a global provider of security and safety solutions, has entered into an alliance with Girvan Institute of Technology for supplying various security products in the US market. As per the tie-up, Girvan, a US-based institute that supports entrepreneurial business ventures, would customize the products developed by Micro Technologies for the homeland security products market in the US (Staff Reporter [*The Economic Times*] 2006).
- ASM's Chennai chapter mulls research centre: With India attracting global attention for sourcing sophisticated and intricate castings and cast components, ASM International India Council, a professional society of metallurgists, materials scientists and technologists, plans to increase its focus on the development of metals, alloys and materials to enable the hardware industry gain a competitive edge in the domestic and international markets. The Chennai chapter of the ASM International India Council will be establishing a research centre at a cost of Rs 30 million undertake research in metals, alloys and materials (*The Economic Times* 2006b).
- Wristwatches to get intelligent: A watch marketed by Titan, can be configured to bring you real-time news, cricket scores, stock market updates, weather, traffic reports, and so on, as scrolling messages, delivered right to your wrist. The watches will be priced under Rs 7,000. This brand will join global companies, including Fossil and Microsoft that have developed a watch capable of one-way wireless communication (Daftari 2006).
- Intel chips in with high-end Montecito: Intel is set to introduce a chip model code-named Montecito that is the first in its Itanium chip line to have the equivalent of two electronic brains on a single piece of silicon. The chip, containing more than 1.7 billion transistors, is one of the most ambitious ever built (Shankland 2006).

*Implications:* From the emergence of umpteen new technologies in a short span of one month, it follows that the hardware design sector is experiencing fierce technological growth in terms of new gadgets and the high-end chips to fuel them. More importantly, the innovation is happening uniformly in the sector ranging from fabrication to design and tool development. This necessarily means that the obsolescence rate in the industry is increasing. The above developments also indicate that an increasing number of institutes are offering courses or doing Research and Development (R&D) in the area of hardware design. In fact, the area of hardware design is being sub-divided and highly specialized courses like those on nanotechnology are also coming up. This augurs well for the industry as it means that quality manpower, a major threat for this industry may reduce (also refer demographic environment). These changes indicate that following variables have changed for Indian hardware design industry:

- o Availability of high speed devices.
- o Shrinking device size.
- o Constant innovation in the industry.
- o Need for versatile and universal devices.

## Changes in the Demographic Environment and its Implications

- In the first of its kind, a 10-city technology survey commissioned by ET, Synovate, a global market research company, assessed how tech savvy Indians were. Bangalore emerged as the tech capital of the country, outsmarting the other nine cities surveyed which were Delhi, Mumbai, Kolkata, Chennai, Hyderabad, Ahmedabad, Chandigarh, Kochi and Pune. An overwhelming 66.3 per cent say that all products should come with a chip in them. The respondents are quite at home when it comes to using technology products, be it mobiles, pen drives, laptops, Blackberry phones, iPods or digital cameras. That apart, the perception among the respondents is that banks are the most technology savvy followed by hospitals. The over 1,000 respondents belonged to SEC A and B in the age group 25–40 years and primarily comprised chief wage earners. Coloured screen mobile phones are the most used electronic gadget followed by the Internet, digital camera, handy cams, laptops, wireless mouse, pen drives, external hard disks, iPods and Blackberrys (ET Survey 2006).

*Implication:* The above survey results confirm an increasing technological awareness among the middle and young age Indians. This increased technology awareness and comfort means a larger market for hardware design industry. So this survey indicates the emergence of the following:

- o Younger technology savvy population base.
  - o More literate and aware consumer.
  - o Personal Computer (PC) and Internet are no longer perceived as status symbols.
- India might be training more information technology professionals than most other countries, yet, the sector is facing a severe talent crunch. Companies are finding it increasingly difficult to fill vacancies. While IT companies projected a requirement of 300,000 professionals by 31 March 2007, Accenture projected that the demand would fall short of 80,000, as many graduates do not have a good grasp of fundamentals and are unemployable. The study points out that the schools aren't churning out the right talent. This is reflected in the low selection ratios. Also refer the next part.
  - The IT and ITeS (Information Technology enabled Services) and hardware industry would face a shortage of 500,000 professionals by the year 2010: Inaugurating NASSCOM's annual Human Resources Summit, NASSCOM's president Kiran Karnik said that although there were thousands of engineering graduates passing out every year, the industry was not getting 'right type of people for right jobs' (PTI 2006).

*Implication:* The study of Accenture and the concern of NASSCOM imply a threat to knowledge-based IT and hardware design industry. This indicates a demand–supply gap in terms of employable graduates and therefore necessitates the private–public partnership in education and research.

## Changes in Micro-environment Variables

**Competition:** This analyzes the changes due to expansion of existing players and entry of new players.

- Wipro plans second hardware plant in north: WIPRO, which is mulling a second hardware manufacturing plant, is most likely to locate it in the northern part

of the country. Wipro currently has its hardware manufacturing plant in Pondicherry where it makes personal computers, servers and laptops with a capacity of 1,500 units per day (Mahanti 2006).

- Marvell to widen market pie from consumer business: US-based fabless semiconductor Marvell Technology Group, with its recent acquisition of Intel's communications and application processor business for US\$600 million, is looking to garner a higher market share for its chips in the consumer space (Economy Bureau 2006).
- AMD, ATI deal: Advanced Micro Devices, the number two supplier of computer processors, would buy graphics chip maker ATI Technologies for US\$5.4 billion to expand its product mix to compete with Intel (Krazit 2006).
- Intel India eyes tier 4 and 5 cities to expand its reach: Having its presence in 484 cities and towns in India, Intel, the leading chip maker, is now looking at extending its network into the tier 4 and 5 destinations, which would also see the expansion of its channel partner network (Client News Service 2006).

*Implications:* The implications of the above mergers, acquisitions and expansion plans are that the hardware design and the PC market are set to witness another spurt of growth. This means that the cost of gadgets is likely to go down further as more and more of design and fabrication work will be done in India. Also more and more technologically equipped foreign players would enter this field. This would also mean that novel and cutting-edge technology is the key to survival in this fiercely competitive industry.

The understanding of the marketing environment should be used to evaluate the opportunities and threats available to the company. This is dealt with in the next chapter.

## Notes

1. Jane Imber and Betsy-Ann Toffler, 'Dictionary of Marketing Terms,' (3rd ed.), Barron's Educational Series, <http://www.allbusiness.com/glossaries/demographic-environment/4966225-1.html> (accessed 3 May 2009).
2. Wikipedia, 'Demographics of India,' [http://july.fixedreference.org/en/20040724/wikipedia/Demographics\\_of\\_India](http://july.fixedreference.org/en/20040724/wikipedia/Demographics_of_India) (accessed 1 May 2009).

3. <http://www.businessdictionary.com/definition/economic-environment.html> (accessed 3 May 2009).
4. Jane Imber and Betsy-Ann Toffler, 'Dictionary of Marketing Terms,' (3rd ed.), Barron's Educational Series, <http://www.businessdictionary.com/definition/economic-environment.html> (accessed 3 May 2009).
5. R.K. Gupta, 'The Implications of Technological Environment,' [www.indianmba.com/faculty-column/FC112/fc112.html](http://www.indianmba.com/faculty-column/FC112/fc112.html) (accessed 12 September 2008).
6. Rupesh Janve, "IT Firms Face Severe Talent Shortage," *Business Standard*, <http://inhome.rediff.com/money/2006/aug/16it.htm>, (accessed 2 September 2008).







# **SWOT Analysis**

5



T

he external forces dealt with in the previous chapter are not controlled by an organization, but they may be encashed by the organization. However, the company can encash the opportunities provided by the external force only if it has the capability to do so. For example, the availability of several jobs in the IT sector is an environmental variable for a person seeking jobs, and the person can encash on the jobs only if he/she has the capability (skills) to match the job. If he/she does not have the skills, then the opportunity would be lost. Similarly, a company can encash an opportunity only if it has the necessary capabilities.

It is, therefore, necessary for organizations to understand its capabilities and map it with the opportunities/threats facing the company. This process is done by the SWOT analysis. While the opportunities and threats could be generalized to most companies in the industry, strengths and weaknesses are specific to a company.

Allen (1999) states that SWOT analysis is an excellent tool to use if the organization wants to assess the situation they are in. This analysis can be used to assist the organization in developing their marketing mix strategy.

Anthony (1998) says that SWOT analysis provides direction and serves as a basis for the development of marketing plans. It accomplishes this by assessing an organization's strengths (what an organization can do) and weaknesses (what an organization cannot do) to match the opportunities (potential favourable conditions for an organization) and threats (potential unfavourable conditions for an organization).

SWOT should be linked to the environment analysis to make it meaningful. However, in practice, SWOT has become an exercise independent of the environmental factors. The SWOT exercise ends up listing strengths, weaknesses, opportunities and threats independent of each other (Table 5.1).

This framework of SWOT would not help in providing proper guidelines for marketing.

By using Table 5.1, a company would not be able to identify whether an opportunity can be encashed or not and similarly whether a threat can be

**Table 5.1** SWOT for a hypotheticalal example

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• A strong brand name</li> <li>• High market share</li> <li>• Good reputation</li> <li>• Expertise and skill</li> </ul>	<ul style="list-style-type: none"> <li>• High attrition of staff</li> <li>• Lack of experienced channel partners</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• A growing market</li> <li>• Increased consumer spending</li> <li>• International market demand</li> <li>• Acceptance by society</li> </ul>	<ul style="list-style-type: none"> <li>• Competitors high</li> <li>• Unfavourable government policy, e.g., taxation, laws</li> </ul>

*Source:* Author

suppressed or not. As mentioned, an opportunity cannot be encashed if the company does not have a corresponding strength. An opportunity with a corresponding weakness would be a lost opportunity. For example, rural market is a huge opportunity for consumer non-durable companies. But this opportunity can be encashed only if the company has the capability (strength) of catering to that segment (for example, access to distribution channel catering to that market).

Similarly, a threat can be suppressed if a company has a corresponding strength to overcome the threat, otherwise the threat would affect the company. For example, voltage fluctuations are a threat for the consumer durables marketers. This can be suppressed if the company has a good Research and Development (R&D) (strength) to develop models which can withstand voltage fluctuations. So, SWOT would be meaningful only if they are mapped with internal capabilities. As mentioned by the creators of SWOT, 'SWOT as such has no benefit. What makes it beneficial is the sorting of the issues into programme planning.'<sup>1</sup>

The next section develops a framework linking the environmental variables to the SWOT analysis. This process includes:

- Identifying all environmental variables and determining whether they are an opportunity or a threat.
- Identifying what needs to be done to encash an opportunity or suppress a threat.
- Checking internal capabilities to see whether the opportunity can be encashed or a threat suppressed. In case the internal capabilities allow the company to encash an opportunity or suppress a threat, then it could be treated as strength otherwise it would be a weakness.
- Prioritizing the factors in order of importance.

This process (other than the prioritization) is explained using the example of the refrigerator industry (Table 5.2). Here all the environmental variables are identified and are classified as an opportunity or a threat for marketing the product.

**Table 5.2** The opportunities and threats for the refrigerator industry

<b>Variables</b>	<b>Remarks</b>	<b>Threat/ Opportunity</b>	<b>What Needs to be Done to Encash an Opportunity or Suppress the Threat</b>	<b>Company's Internal Capability (name withheld)</b>
<i>Political Variables</i>				
Rules regarding entry of foreign players	Post-liberalization—easy entry	Threat as new players can enter	Lobby with government to change the policy	Weakness (as company does not have the capability)
Import tax rates on appliances	High tariff rate ranging between 40 and 50 per cent for consumer goods	Opportunity for companies manufacturing within the country	Encash on demand	Strength (can utilize unutilized capacity)
<i>Economic Variables</i>				
Interest rates	Easy availability of loans at cheaper rates	Opportunity—as this enhances the purchasing power of the consumers	Encash on demand	Strength (can utilize unutilized capacity)
Inflation	Controlled at around 5 per cent	Opportunity—because a low level of inflation would mean higher purchasing power with the consumers	Encash on demand	Strength (can utilize unutilized capacity)
Per capita income	Rising—per capita income on an aggregate basis grew by a compounded annual rate of 3.2 per cent in the last five years	Opportunity—but the inequality in the distribution of income is also to be considered	Develop different models for different segments	Weakness (company does not have design facilities to develop new models)

*Table 5.2 continued*

Table 5.2 continued

*Socio-cultural Variables*

Status of women	Acceptance of women taking up employment	Opportunity—as products providing relaxation/entertainment need at the home will be in demand. Again since total family income increases, higher-end models would be in demand	Encash on demand	Strength (use company's brand image)
Social and cultural acceptability of products	Increasing acceptance of Western lifestyle	Opportunity	Encash on demand	Strength (use company's brand image)

*Technological Variables*

Constantly changing technology	Need to upgrade the product fast	Threat	Have a good R&D facility	Weakness (no R&D facility)
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*Natural Factors*

Weather	Highly diversified and hence requires different features to meet different weather conditions	Threat	Develop models suitable for different climatic conditions	Weakness (no R&D and design facility)
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*Infrastructure Variables*

Electricity availability	Frequent power cuts	Threat	Cannot do anything	Weakness
Voltage stability	Voltage fluctuations remains a big problem in rural India	Threat	Built-in voltage stabilizer or encourage buyers to buy voltage stabilizers	Strength (brand has in-built facility to control fluctuations)

Table 5.2 continued



Table 5.2 continued

*Consumer Behaviour*

Dual income households	Rise in proportion of dual income households has been faster post-liberalization	Opportunity—as this segment stores food for longer period	Encash on demand	Strength (use company's brand image)
Age composition	Two-thirds of the population belongs to the working age group	Opportunity—as this implies that the need for consumer goods is going to increase in the near future	Encash on demand	Strength (can utilize unutilized capacity)
The rise of the self-employed	The self-employed use products much more to signal success and are also fast adopters of any productivity tools that can help them earn more	Threat as consumer goods loose priority	R&D to identify industrial uses	Weakness (no R&D facility)

*Competition*

Traditional preservatives	Very limited application	Opportunity	Nothing to be done	Strength (promote refrigerator)
Large number of competing brands in each segment	The chances of one's product getting copied is very high	Threat	Build on brand image	Strength (good brand image)

*Suppliers*

Highly organized global supply networks	Global sourcing of materials	Opportunity	Would improve quality	Weakness (cannot negotiate with them for lower prices)
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Table 5.2 continued

Table 5.2 continued

*Channel Environment*

Dealer network	Well established and widespread	Opportunity	Maintain good relations	Strength (have long association)
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*Advertising Environment*

Availability of media	Excellent availability—TV, radio, magazines, newspapers, billboards, etc.	Opportunity	Utilize for effective advertising	Strength (have long association with advertisement agencies)
Availability of ad agencies	Best in the world	Opportunity	Utilize for effective advertising	Strength (have long association)

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Source: Author

Once the opportunities and threats are identified, the company should identify what it needs to do to encash the opportunity or suppress the threat (column 4 in Table 5.2). Based on what needs to be done, the company has to identify whether the company has the capability or not (if it has the capability then it would be treated as a strength otherwise it would be treated as a weakness).

## NEED FOR PRIORITIZATION

Table 5.2 provides information regarding whether an opportunity can be encashed or a threat can be suppressed. However, another element important for marketing would be to know the impact a threat with a corresponding weakness would have on marketing. For example, frequent power cuts would be a threat and as the company cannot provide alternate power supply, it would be a corresponding weakness. This would have serious implications for marketing, as it would require reducing its marketing operations

only in areas with less power cuts. On the other hand, the variable, 'self-employed population increasing' is a threat with a corresponding weakness. Since the impact of this variable would be low on marketing, the company could choose to ignore this variable.

It is, therefore, essential for a company to know the criticality of environmental variable.

## PRIORITIZING THE MARKETING ENVIRONMENT VARIABLES

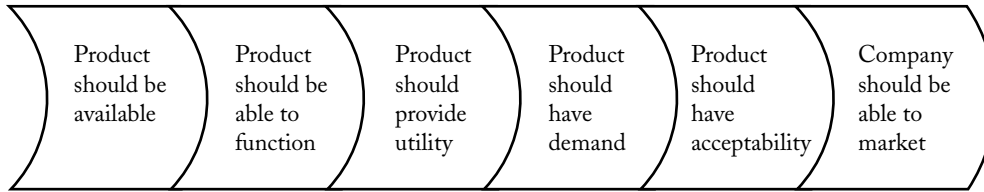
The creators of SWOT have suggested the sorting of the issues into programme planning categories:<sup>2</sup>

- Product (what are we selling?)
- Process (how are we selling it?)
- Customer (to whom are we selling it?)
- Distribution (how does it reach them?)
- Finance (what are the prices, costs and investments?)
- Administration (and how do we manage all this?)

Table 5.2 presents a more comprehensive set of environmental variables being integrated with the SWOT, so a different framework is suggested. The priority of the variables is based on the logic shown in Figure 5.1.

The product should be available for any marketing activity to start, so variables which would impact the availability of the product would have to have the highest priority during environmental analysis. Variables under this group would be classified as product-related variables (for example, availability of raw material).

Once the product is available, the product should be able to function for the consumers to derive benefit. So, the next sets of variables are those



**Figure 5.1** Logic of prioritization of environmental variables

*Source:* Author

which would affect the functioning of the product, classified under the head, functioning-related variables (for example, availability of electricity for the functioning of the consumer durables).

If the product is available and is able to function, then marketing can start its activities by understanding the utility it can provide to the consumers. The variables under this category would be termed as utility-related variables (for example, prices of competing products).

If the product is providing utility, marketing needs to study the factors which could influence the demand for the product. These variables are classified under the demand-related variables (for example, availability of credit).

Having been assured that the product can provide utility and demand could be created, the company needs to understand if there are any socio-cultural or consumer perceptions which could hinder the acceptance of the product. So these variables would be next in priority and can be classified as (a) acceptance (macro) level variables dealing with the socio-cultural factors, and (b) acceptance (micro) level variables dealing with individual perceptions.

Finally, after the company has looked into the availability, functioning, utility, demand and acceptance-related variables, it needs to start implementing its marketing programme and for this, it needs to understand if channels for communication and distribution are available. These variables are put under the head of marketing-related variables.

The classification of the environmental variables as per the priority is described using the case study of Yoga mats.

## CASE STUDY

Yoga mats—handcrafted mats and bolsters made from all-natural, high-quality materials specially designed for all levels of yoga, bodywork and meditation. Yoga mats are six feet long and two layers thick (approximately 2" which will compress to a dense 1" pad). That is, the nature of the mat is suitable for the purposes of yoga, providing stable supportive padding. There are three widths (24", 30" and 36"). The 24" and the 30" conveniently convert into many types of bolsters. It can be rolled any amount, or folded in half, thirds, or fourths—it is creatively versatile.

The 36" mat is wider and allows the arms to extend in 'corpse pose' (relaxation pose) comfortably.

The environmental analysis for yoga mats is given in the Table 5.3.

The analysis clearly shows the difficulties the company would face as the product-related variables are threats with corresponding weaknesses. Therefore, the framework can provide guidelines for marketing (detailed under advantages of the framework).

**Table 5.3** SWOT based on the prioritization of environmental variables

Parameter	Variable	O/T	How to Address	S/W
Product related	Being handcrafted, the supply is limited	T	Tie-up with craftsmen for steady supply	W
	Natural material	T	Direct procurement of raw material	W
	Poor storage facilities	T	Have own storage	W
Functioning related	Space for doing yoga in urban houses	T	Market 24" and less width mats	S
	Knowledge of doing yoga	T	Generic marketing needs to be done	W
	Trained instructor	T	Tie-up with reputed trainers	W
	Lack of time for doing yoga	T	Generic marketing needs to be done	W
	Few ashrams/yoga training clubs	T	Set up yoga training centres	W

*Table 5.3 continued*

Table 5.3 continued

	No accessories required	O	Can use as advantage over competition (other forms of exercising)	S
Utility	Slow results of yoga	T	Generic marketing needs to be done	W
	High price of competing products	O	Create price advantage	S
Demand	Stressful jobs	O	Market to corporates	W
	Yoga tourism	O	Locational disadvantage. Try for contracts	W
	Scientific backing	O	Generic marketing needs to be done	W
	Religious discourses promoting yoga	O	Camps outside discourses	S
Acceptance (macro)	Positive corporate mindset	O	Corporate sales	W
	Associated with a specific religion	T	Generic marketing needs to be done	W
	No legal specifications	O	Can create your own quality specifications	S
	Yoga acceptance by role models (film/sports)	O	Testimonial advertisements (costly being a small company)	W
Acceptance (micro)	Health consciousness	O	Encash to increase yoga popularity	S
	Parent acceptance	O	Door-to-door selling	S
	Yoga not considered high on social acceptance for the youth	T	Generic marketing needs to be done	W
Marketing mix related	Availability of channel	S	No skills required, but since it occupies space, the channel needs to be paid incentives (costly for small company)	W
	Availability of advertisement channels	O	Adequate choice for channels (but costly for small company)	W
	Use of role models	O	May be costly	W

Source: Author

## Advantages of the Framework

Apart from allowing the marketer to study each environmental variable vis-à-vis the organizational capabilities, the framework also provides direct implications for marketing decisions.

- Product and functioning related variables could give input for the segmentation decisions.
  - Based on the availability of raw material, the company can determine the geographic segments (the region it can operate given its limited supply).
  - Geographic segments for different mat sizes can also be determined.
- Utility- and demand-related variables could give input for the targeting-related decisions.
  - Target the segment which is looking for long-term benefit and target religious discourses.
- Utility and acceptance-related variables would have a direct significance for the positioning-related decisions.
  - Associate the ease of doing yoga with low investment.
- Marketing-related variables would help identify promotion and distribution decisions.
  - Incentives of channel members.
  - Incentives for yoga trainers to promote the product.

Understanding environment and SWOT analysis is one of the most important parts of any marketing planning process. This is the stage wherein the company can collect the relevant information which would help develop the marketing programme. As the subsequent decisions are going to be based on the environmental analysis, companies should take keen interest in doing a proper environmental scanning and SWOT analysis.

The next chapter would provide a more detailed description about the buyers by giving a description of how the purchase decision is made.

## Notes

1. Aln Chapman, 'SWOT Analysis Methods and Examples, with Free SWOT Template,' <http://www.businessballs.com/swotanalysisfreetemplate.htm> (accessed 17 July 2008).
2. *ibid.*







# **Purchase Process**

# 6



A

consumer buys a product to satisfy some need. But as seen earlier, there could be several products which satisfy a need. So how does a consumer choose a product or a brand? What is the cognitive process that goes behind a purchase? This chapter would provide some insights into these processes.

Broadly speaking, there are three major decisions during a purchase:

- Product decision
- Brand decision
- Store decision

These decisions may be interrelated in some cases or independent in other cases. Again the order of the decisions could vary. To understand

how these decisions are made, the chapter is divided into the following sections:

- Stages of consumer decision process
- Types of decision processes
- Store decisions

## STAGES OF THE CONSUMER BUYING PROCESS

As described in chapters 2 and 3, consumer purchases products to satisfy specific needs. However, the choice of product/brand best satisfying the consumer would be made by going through a series of decision stages before purchasing a product (Solomon 2004). Such stages could include problem recognition, alternate generation, information search, evaluation of alternatives and product choice leading to a final purchase decision.

*Problem Recognition:* Awareness of need

*Alternate Generation:* The various alternatives considered during the purchase.

*Information Search:* Information collected for the different alternatives.

*Evaluation of Alternatives:* The alternatives are evaluated on criteria set by the buyer.

*Purchase:* The evaluation of alternatives would convert into a purchase, unless otherwise affected by situational variables (for example, availability of the product).

*Post-purchase Evaluation:* Outcome the consumer derives after consumption of the product. This could be satisfaction or dissatisfaction.

### Problem Recognition

It is the difference between the desired state and the actual condition. For example, the desired state is to reach office safely and without difficulty

everyday. The actual condition could be that the individual has to commute in crowded public transport buses, which are both inconvenient and unsafe.

## Alternate Generation

An important axiom of consumer brand selection processes is that consumers have a limited information processing capacity (Miller 1956). Therefore, faced with a large number of brands, in the store, consumers often have to devise means of simplifying their decision task (Shoker et al. 1991). One of the results of this simplification process has been the formulation of what is referred to as a consideration set, that is, the brands consumers consider acceptable for the next purchase (Howard 1963, 1989). For marketers, the issue of whether or not their brand is in the consideration sets of a large number of consumers would be of paramount importance. Miller (1956) and Wallace (1961) also state that the consumer limits the number of brands due to the limitation of cognitive capacity.

## Consideration Set

Studies (Belonax and Mittelsteadt 1978; Campbell 1969; Jarvis and Wilcox 1973; May and Homans 1977; Ostlund 1973; Silk and Urban 1978) found consideration set sizes to be 'small'. These studies, concentrating on convenience goods available at supermarkets, have found consideration set sizes to be of an average 3.8 brands. Hauser and Wernerfelt (1990) reported consideration set sizes for 23 convenience goods categories with an average consideration set size of 4.1 brands. Consideration set sizes for automobiles (Gronhaug 1973/74; Gronhaug and Troye 1983; Hauser and Wernerfelt 1990; Lapersonne et al. 1995), stereo systems (Abougomaah et al. 1987) and microwave ovens (Belonax and Mittelsteadt 1978) range from 2.0 to 8.1. LeBlanc and Turley (1994) report consideration set sizes for 23 shopping goods average 2.19 brands.

Brands outside the consideration set do not make it into the consumer's evaluation stage in the decision-making process and, therefore, are unlikely to be purchased (LeBlanc and Herndon Jr 2001). Understanding the formation of consideration sets and the choices made from them is, therefore, important in planning marketing strategy.

Consideration set formation could pass through three interdependent stages. And these stages need to be managed by the company.

### Appropriateness

Consumer's choice being limited to a small number of brands, the consideration set would consist of brands which the consumer holds positive attitudes. Turley and LeBlanc (1995) link the consideration set decision-making process to decision-making over time. They describe a phased decision-making process with consideration set composition decisions being mediated both by the consumer's post-purchase evaluations and by the seller's marketing efforts. Lapersonne et al. (1995) also found satisfaction with a previous purchase related to consideration set size.

While the consumer develops a set of brands he/she considers appropriate for a problem situation based on experience, the role of the marketer would be to enter the consideration set by making the brand appropriate by associating it with the problem situation. This could be done by 'reminder advertising'; wherein the company ensures that the brand name is associated with the problem situation to ensure top of mind recall, for example, Burnol for burns.

### Uniqueness

Over a period of time if a company promotes a brand for a specific problem situation, it would get associated with that problem situation and would not

be perceived to be suitable for other problem situations. The example of Burnol explains this also. Burnol though also suitable for cuts and wounds was not perceived appropriate for these problem situations as consumers have been associating Burnol only with burns.

As the incidence of burns was reducing because of better safety household appliances, the demand for Burnol was reducing and the company wanted to expand the market. The company conducted a major campaign to advise consumers that they should use Burnol for cuts and wounds also. Despite the company's campaigns the consumers did not accept this. This was because the association of Burnol only with burns had reached the uniqueness stage.

Mason and Bequette state that a problem facing marketers is the propensity for consumers to disbelieve accurate product information because it does not accord with their prejudice. Mason and Bequette illustrate this by describing how a consumer might reject the idea of a rich, low cholesterol ice cream because it does not conform with the view that rich dairy products must contain high levels of buttermilk and, therefore, cholesterol. (Mason and Bequette 1998)

So, companies need to decide whether they wish to be perceived appropriate for one problem situation or more than one problem situation. Dettol liquid is trying to educate consumers of the ten uses of Dettol. Another example of moving back from uniqueness to appropriateness is Vicks Vapo-rub, which is trying to associate Vicks with six problem situations.

## Generic Name

If a brand becomes associated with the problem situation too long, it may end up becoming a generic name. For example, Dalda, Xerox, Bisleri, and so on.

Hindustan Lever, a subsidiary of Unilever, in India, introduced, in 1937, packaged hydrogenated edible oil under the brand name Dalda. Street



demonstration, product sampling, promotional vans and reportedly the first Indian ad film have made the brand a generic name for its product category (Rahman and Bhattacharyya 2003).

Bisleri, an Italian company, was the first firm which introduced the concept of selling bottled water in India. In 1967 it started selling bottled water under the brand name Bisleri. Today, Indians tend to equate the brand name with bottled water (Rahman and Bhattacharyya 2003).

## Information Search

Information search for brands in the consideration set means acquiring relevant information to assist buyers' purchasing decision (Solomon 1997). This can be of two types—external or internal. Internal search is based on information stored in the memory of the consumer. External search is information collected from friends and relatives (word of mouth), public sources, and so on.

Information search can be used to acquire:

- Technical knowledge
- Functional knowledge: This can be subdivided on the following dimensions:
  - Functional benefit (de Chernatony 1993; Sheth et al. 1991)
  - Price (Dodds et al. 1991; Sweeney and Soutar 2001; Zeithaml 1988)
  - Social benefit (Ambler 1997; Bhat and Reddy 1998; Long and Schiffman 2000; Sheth et al. 1991)
  - Emotional benefit (Ambler 1997; Bhat and Reddy 1998; de Chernatony 1993; Long and Schiffman 2000; Sheth et al. 1991)

Goldsmith and Emmert (1991) report that product involvement plays an important role in information search. When the involvement level increases, the consumer will search for further information (Petty et al. 1983; Yang 2001). This would be dealt in more detail in the next section.

## Evaluation

The process of evaluation would change during different stages of the product life cycle.

### Generic Evaluation

During the introductory stage of the product life cycle, the product would be competing with other products satisfying the same need. In this stage, consumers have little knowledge about the ideal product attributes and their ideal combination. The first mover (pioneer brand) can therefore shape consumers' perceptions to its advantage (Howard 1989).

### Comparative Evaluation

As the market develops and competitors start entering, they are compared against the 'first mover' which has set the category standard against which consumers compare the offers of late entrants while making a purchase decision (Howard 1989).

### Attribute Based

Over a period of time when the first mover advantage is reduced, then the brands are compared on attributes.

Consumers establish criteria for evaluation based on the features they want or do not want. O'Shaughnessy (1988) classified the various choice criteria under:

- Technical performance criteria: This criteria uses the effectiveness of the product during evaluation.
- Generated functions: These incorporate additional costs and benefits generated by using, consuming or possessing the product, for example, total sacrifices incurred, status symbol, and so on.
- Economic criteria: Economic criteria use information on price, cost per unit of effort or time.
- Adaptive: The criteria used under this head are: trial, guarantees, and so on.
- Integrative: Under the consumer buying situation the integrative criteria are related to cultural, social and ego aspects.

### Global Evaluation

As the products enter the maturity phase of the product life cycle, consumers develop global evaluations for brands. As Shukla (2008) states consumers may recognize the brand name and image association and may not consider other aspects of a brand, to make such global evaluations (for example, Sony denotes good quality).

Since criteria may develop differently for different consumers, goods or services that have utility for one person may not have the same utility for another customer, and utility for a person at a certain time or place may not be same at another point in time.<sup>1</sup> Refer to Appendix 1 for some factors influencing the purchase of products in India. The understanding of the different criteria would, therefore, be important to classify customers into different segments (discussed later).

### Purchase Decision

Once evaluation is done, it could convert into a purchase if the goods or service are available at the right time in the right place, in the right quantity

and right form (form utility, time utility, place utility and possession utility<sup>2</sup>). Refer Box 6.1.

#### **Box 6.1** Utility

**Form utility:** The product has the physical characteristics desired by the consumer. For example, sachet form for shampoo is advantageous for certain consumer requirements.

**Time utility:** Making the product available when the consumer needs it. For example, monthly purchase of newspaper so that it is home delivered every morning.

**Place utility:** Making the product available where the consumer wants it (discussed in greater detail later in the chapter).

**Possession utility:** Value created by allowing easy transferring of a product's ownership and usage of the product. For example, easy payment terms, leasing and credit purchase help consumer possess and use the product.

*Source:* American Marketing Association, "AMA Dictionary," [http://en.mimi.hu/marketingweb/place\\_utility.html](http://en.mimi.hu/marketingweb/place_utility.html) (last accessed 24 April 2009).

## Post-purchase Evaluation

After a purchase, a consumer should derive satisfaction from owning/using the product.

The decision process could include decisions relating to which product, store and/or brand. Kollat and Willett (1967) proposed a typology of decisions:

- Product and brand decided
- Product category decided
- Product class decided

- A general need recognized
- General need not recognized

The variations in these decisions along with the variations in the place and time utility could be understood by identifying the type of decision process a consumer would adopt. The understanding of the type of decision process would also help in making meaningful marketing decisions.

## TYPES OF DECISION PROCESSES

Mitchell and Bates (1998) state that there is no single accepted decision-making typology to date. The origin of classifying decision styles began with Sproles (1985). Lysonski et al. (1996) quoting Sproles and Kendall (1986) state that there are eight types of consumer decision processes:

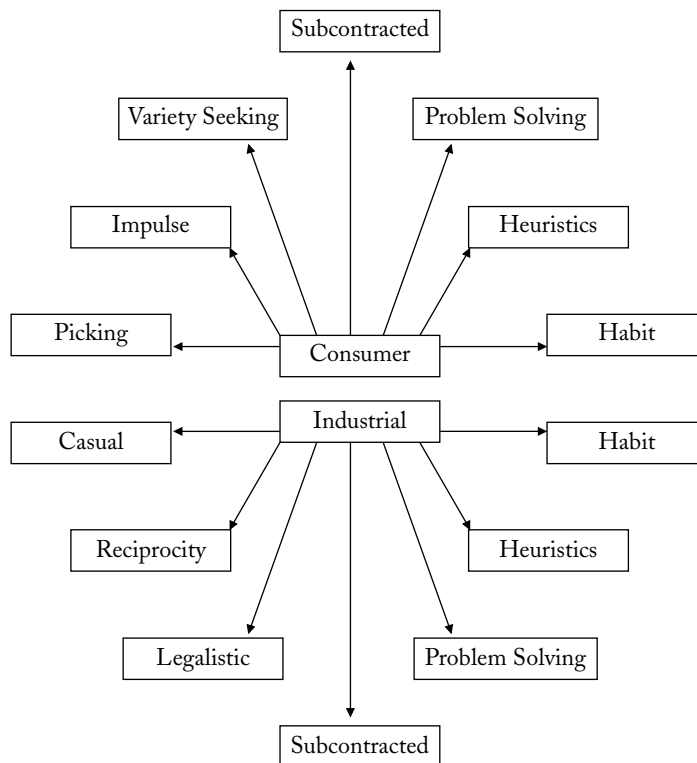
- Perfectionism or high-quality consciousness: Consumers with this decision-making style will not compromise with products.
- Brand consciousness: Consumers with this style believe that higher the price of the product, the better the quality. These people prefer the best selling brands.
- Novelty-fashion consciousness: This trait reflects a liking of innovative products and a motivation to keep up-to-date with new styles.
- Recreational, hedonistic shopping consciousness: Shoppers with this trait enjoy the experience of looking around for products.
- Price and 'value for money' shopping consciousness: Consumer aims at getting the best value for money.
- Impulsiveness: Consumers do not plan and do not worry about how much they spend.
- Confusion over choice of brands, stores and consumer information: These consumers cannot handle the number of choices and experience an information overload.

- Habitual, brand loyal orientation towards consumption: These consumers have a tendency to buy the same brand each time.

The above classification of Sproles and Kendall has an overlap between evaluating criteria (price/brand/quality consciousness) and decision processes (impulse/habitual).

Here the various types of decision processes are adopted from Pingali Venugopal (2006 and 2008). Refer Figure 6.1.

Details of the decisions process along with examples based on some exploratory studies are given below:



**Figure 6.1** Types of decision processes

*Source:* Adopted from Pingali Venugopal (2006, 2008)

## Picking

Picking (or casual as in the case of industrial buying), an example of limited problem solving, involves a random choice, where the buyer picks a brand from the available brands, and is indifferent to the brand he/she buys. Picking occurs when the consumer has (a) *low involvement* in the purchase, (b) *little uncertainty with untried brands* and (c) *there are few differences between the brands* (Assael 1987).

## Place Utility

The consumer would purchase from locations which are convenient. That is, the outlets that are convenient, and the consumer would not mind whether the outlet is a multibrand (for example, cement) or an exclusive outlet (for example, petrol).

## Time Utility

The time for purchase would be immediate (that is, the consumer would not be willing to wait for purchase and would purchase the available brand).

The companies catering to consumers in picking behaviour should, therefore, make the product available at the most convenient place and time the buyer wants (for example, the milk brand available at the door step early in the morning would be preferred over brands available in the shops).

## Impulse

Impulse buying is different from picking. Impulse buying occurs when a consumer experiences a sudden, often *powerful and persistent, urge* to buy

something immediately. It is more likely to involve grabbing a product than choosing one. As impulse buying behaviour consists of unplanned and sudden purchases, the cognitive and affective forces guiding the purchase are typically initiated at the time and place of purchase (Rook 1987).

Stern (1962) identified nine product-related factors that might be influential:

- Low price
- Marginal need for the product/brand
- Mass distribution
- Self-service
- Mass advertising
- Prominent store display
- Short product life
- Small size
- Ease of storage

The impulse purchase is not the result of a specific search to satisfy a particular requirement since the satisfaction comes from the act of shopping itself. Purchases are incidental to this process. Chances are that, if we 'go to look round the shops', we will return having made some form of purchase. And that purchase will have been made on impulse (Hausman 2000).

Rook (1987) describes impulse buying as exhibiting a number of characteristics:

- The feeling of an overwhelming force from the product.
- An intense feeling of having to buy the product immediately.
- Ignoring any negative consequences from the purchase.
- Feelings of excitement, even euphoria.
- The conflict between control and indulgence.

This description suggests emotion overpowering a more cautious and considered approach to a purchase. It is also argued that impulse could be associated with a degree of repent after purchase (Sproles and Kendall 1986).



Significant differences on impulsiveness were found between men and women. Overall results show that women were affectively and cognitively more impulsive (Coley et al. 2003).

### Place Utility for Impulse

Attractive décor, creative merchandizing, appropriate lighting, music and aromas enhance mood and emotion, which may trigger affective tendencies leading to impulsive behaviour (Coley et al. 2003). Kaur and Singh (2007) found that sensory stimulants, such as background music, odour or feel of the products play an important role in shaping the shopping experience of individuals and could set off impulse buying activity in them.

### Time Utility

By definition, immediate purchase is the condition for impulse purchase, so brand should be available.

Companies wishing to cater to impulsive buyers should do so from outlets which provide an ambience and are multiproduct and multibrand outlets. (Impulse would not take place at exclusive outlets as the brand decision is already made. Similarly, a purchase from a single product and multibrand outlet would indicate that the product decision is already made.)

### Variety Seeking

Variety seeking is also a *low involvement purchase*, but it requires *significant differences between the brands* (Assael 1987). Variety seeking is found when (a) purchases are made for more than one consumption period, and

(b) when the timing of purchase and the timing of consumption are different (Simonson and Winer 1992).

Artisanal cheese consumers were found to exhibit 'variety seeking' behaviour. Variety seeking is stimulated by the broad range of available flavours, tastes and cheese types and suggests a low degree of brand or even cheese-type loyalty among such consumers (Kupiec and Revell 1998). Ha (1998) suggests 'consumers' thirst for variety' encourages variety seeking behaviour. Variety seeking does not create additional demand as product decision is made prior to entering the shop. The brand decision is made after looking at available brands.

Nijssen (1999) suggests that line extensions are used to incrementally improve a brand's position and may have limited extra customer value over brand's existing products. This confirms Quelch and Kenny's (1994) argument that line extensions tend to differentiate supply rather than develop or expand their markets.

Trivedi and Morgan (2003) also found that consumers perceive the purchase of a brand on promotion as containing an element of residual gain. This is compatible with their interest in switching among a wider variety of brands to provide more contrast in their consumption experiences.

### Place Utility

Since consumers are interested in variety, the consumers like to shop in a multibrand outlet. Shopping experience (as in impulse) would be important during variety seeking as consumers wish to look at the different brands.

### Time Utility

The consumers would form a consideration set from the existing brands, so a consumer would not wait for the brand.

## Subcontracted Decision-making

Subcontracted decision-making is one where the buyers obtain a brand recommendation from a personal source with the intention of purchasing the brand without acquiring any other information. Under these situations, the consumer decides on the referrer or source of recommendation. This is different from the traditional concept of opinion leader or reference group influence. While in the traditional concept, the information provided by the opinion leaders is used as an input in one's decision, in the subcontracted decisions, the referrer actually makes the brand level decision (Pingali 2008). Subcontracted decision process was found to take place when the buyers make decisions under a *time constraint* (Rosen and Olshavsky 1987a) or when the buyers were *not knowledgeable about the alternate brands* (Rosen and Olshavsky 1987b).

A survey in Guwahati, India, has shown that 25 per cent of the buyers of cement depend on the masons' recommendation.

## Place Utility

While the person making the decision is important, it may happen that a person at the store could be the decision maker because he/she has a good reputation (as in the case of pesticides in India). In such cases, the consumer would be willing to travel to the store. Then, the store decision would dominate brand decision and the choice of the shopkeeper would be final. The company should take adequate steps to motivate the trader to promote their brands.

## Time Utility

The buyer would be willing to wait for the recommended brand.

## Extended Problem Solving

This occurs when the *purchase is of importance* to the buyer. Assael (1987) found this process to occur during the purchase of *complex, high-priced products* where *brands are perceived to be different* and are associated with a *high degree of uncertainty*.

Under the complex decision-making, the buyer evaluates the brands using a set of choice criteria. The criteria could be product attributes, cost and prior satisfaction (Kotler 1997). Product attributes considered may be either core attributes that deliver basic benefits sought by customers, or auxiliary or peripheral attributes that provide supplementary benefits and are important for providing added-value and differentiation (Fuller 1999; Zikmund and d'Amico 1993).

Companies encourage the consumers to evaluate in their favour. For example, Hewlett Packard printers;

*HP LaserJet 6P*

*It is not easy to fit so much into a printer.*

*Speed, Quality, Versatility, Compatibility, Performance and Reliability.*

*It's even tougher to get it at this price.*

## Place Utility

Multibrand stores would be preferred when consumers want to compare the brands. Alternatively, consumers would go to an outlet that is known to provide reliable information about the brands or known to be selling quality products (reputation). Consumers would therefore be willing to travel to an outlet satisfying the requirements of the consumer (that is, there could be a store decision also, discussed later in the chapter). It is possible that the store decision may dominate the brand decision, if the credibility of information of the store is perceived to be higher than that of the company.

## Time Utility

Consumer would be willing to wait for the preferred brand.

## Heuristics

Buyers develop simple thumb rules or heuristics when making repeat decisions. These tactics or rules of thumb, acquired through practice and learning, allow buyers to make very quick and effortless decisions (Hoyer 1984). Consumers develop heuristics to aid them in making product evaluations without the necessity of brand trial (Rao and Monroe 1988). Wright (1974) states that situational variables, such as *task complexity*, *time pressure* and *distractions* motivate the decision makers to use heuristics or simplify strategies to minimize the potential complexity of the choice task.

Hong and Wyer (1989) discovered that when a consumer evaluates a foreign country product, he/she will most likely adopt a country-of-origin image as the most easy to obtain information (heuristic). Refer to Appendix 2 for more details.

Again, when consumers cannot evaluate quality they use the hologram or ISI mark as a symbol of quality (heuristic).

## Place Utility

Since heuristics are mainly thumb rules and a consumer can apply them before purchase, he/she would purchase the product from the nearest outlet.

## Time Utility

While the consumer may prefer convenience for place utility, the consumer would not settle for another brand if the brands present do not satisfy the

decision rules. The consumer can wait for the brand satisfying the decision rules.

## Habitual Behaviour

Habit generally forms when the consumers are *satisfied* with the outcomes of the earlier purchases. Habitual buying is characterized by absence of information search and evaluation of alternate brands (Assael 1987).

Repeat purchases should not be always treated as loyalty. Repeat purchases could be due to contextual factors like convenience or individual factors. Also refer Appendix 3.

## Place Utility

Since brand decision is dominant, the consumer would be willing to travel to exclusive outlets.

## Time Utility

The consumer would be willing to wait for the preferred brand.

## Reciprocity

Reciprocal dealing involves two parties *doing business with one another*, and each playing the dual role of buyer and seller (Moyer 1970). This causes a bias against evaluative process. Moyer found that the firms dealing in *homogenous products* (for example, petroleum, chemicals, and iron and steel) engaged in reciprocity. Webster (1965) states that under reciprocal dealing,

the decision to purchase remains with the top management and not with the technical people. Consumer goods firms are less prone to use reciprocity than industrial goods firms (Moyer 1970). This is because of the differentiated character of most consumer goods, and the absence of large buyers who can in turn sell to the consumer goods firms.

### Place Utility

Place utility would not be applicable.

### Time Utility

Time utility would depend on the criticality of the product (input). If the input is critical, the buyer would not wait. If it is not a critical input then the buyer would not mind waiting.

### Legalistic Behaviour

A low involvement purchase, but the behaviour requires the consumer to satisfy a legal or societal norm.

The sequence of the decisions (product, brand and store) in the above decision processes are given in the Table 6.1.

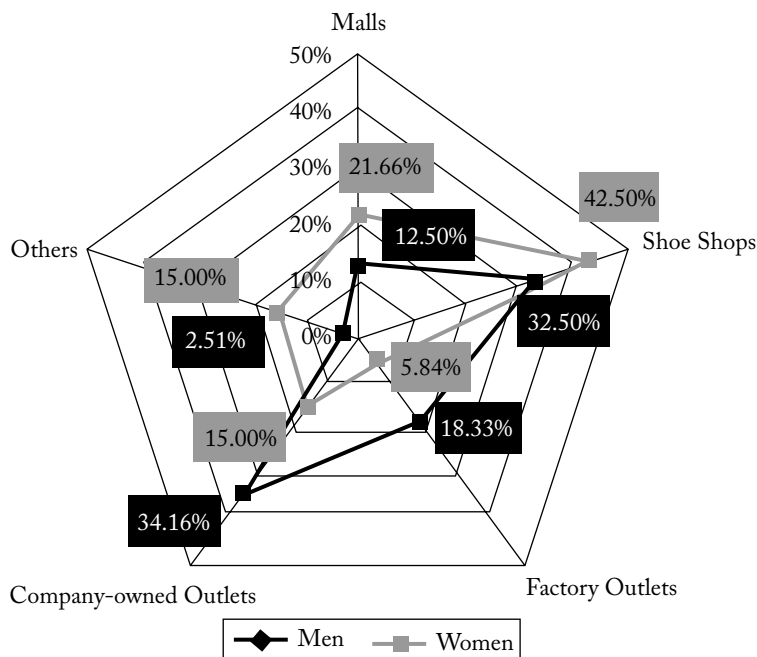
## STORE DECISION

Dodge and Summer (1969) state that store choice is also a cognitive process (refer Figure 6.2 for choice of store for formal shoes in India). It is as

**Table 6.1** Sequence of decisions

S. No.	Decision Process	Sequence of Decisions
1	Picking	Product decision—Store decision—No brand decision
2	Impulse	Store decision—Product or brand decision
3	Variety seeking	Product decision—Store decision—Brand decision
4	Legalistic	Product decision—Store or brand decision
5	Subcontract	Product decision—Store decision—Brand decision
6	Extended problem solving	Product decision—Store and brand decision can happen parallelly or sequentially with either of them preceding the other
7	Heuristics	Product decision—Store decision—Brand decision
8	Habitual buying	Product decision—Brand decision—Store decision
9	Reciprocity	Product decision—Store decision—Brand decision (may or may not be present)

Source: Author

**Figure 6.2** Place of purchase of formal footwear

Source: Author



much an information processing behaviour as any other purchase decision. Store choice has been found to share many similarities with brand choice. This could be attributed to customers adopting a risk reduction policy with regard to their purchase. A store is chosen based on the self-confidence that the customer has regarding the store; about the nature and quality of product and service he/she will receive.

Store choice has also been found dependent on socio-economic background of consumers, their personality and past purchase experience (Dodge and Summers 1969). Lumpkin et al. (1985) found that as compared to young shoppers, elderly shoppers were less price conscious and proximity of residence to store was not an important factor for them. They considered shopping as recreational activity and thus chose a store that is perceived to be high on 'entertainment' value (Sinha and Banerjee 2004). Shoppers who had higher levels of pre-purchase information generally shopped at the specialty store, whereas shoppers with low pre-purchase information bought at departmental stores.

## Qualifying Place Utility

Earlier in the chapter, the concept of place utility was discussed vis-à-vis different types of decision processes (focusing on whether a consumer would be willing to travel to another outlet). Here the criteria which would make a buyer travel to a specific outlet are discussed.

Positive emotions, such as excitement, pleasure and satisfaction have also been identified as significant determinants of consumer shopping behaviour (Kaur and Singh 2007). Thus, the specific attributes a consumer considers while deciding an outlet determines the place utility for a store. For example, place utility of supermarkets is determined by (a) the consumers' preference for touch and feel, (b) shopping ambience and (c) availability of variety (Sengupta 2008). Goswami and Mishra (2009) found that organized retailers are preferred for their cleanliness, offers, exclusive store brands, whereas

*kiranas* are preferred because of their location. Also refer the Table 6.2 for drivers for different stores.

**Table 6.2** Place utility: Store choice drivers across stores

Type of Store	What Influences the Customer to Visit the Store
Grocery	Proximity, personal relation, variety, convenient timing
Durables	Quality of merchandise, variety, in-store service, trustworthiness of the store
Chemist	Availability of medicines, proximity, in-store service
Leisure	Ambience, entertainment
Apparel	Quality, variety of merchandise, store experience, ambience

*Source:* Sinha and Banerjee (2004)

Goswami and Mishra (2009) found patronage of a customer largely depends on the importance the customer places on any of the above attributes of the store.

## Store Loyalty

Rhee and Bell (2002) believe that while shoppers often purchase from many stores, they typically have a primary affiliation to a 'main store' that captures the majority of their purchases. According to Knox and Denison (2000), loyal shoppers spend twice as much in 'primary stores' as in others.

Roselius (1971) suggests that most consumers treat their primary store as a 'safe bet' in their attempt to reduce their perceived risk of disappointment when shopping.

Like brand loyalty, store loyalty is also a dominant factor in the buying process. Similarly, store loyalty is a function of being satisfied.

The marketing literature has identified several factors that influence store satisfaction while shopping (Miranda et al. 2005):

- Location of store (Woodside and Trappey 1992)
- Nature and quality of assortment stocked (Claxton and Brent-Ritchie 1979; Sirohi et al. 1998)
- Pricing strategy (Williams et al. 1978)
- In-store promotions (Kumar and Leone 1988; Urbany et al. 2000)
- Sales personnel (Macintosh and Lockshin 1997; Mägi 2003)
- Physical attributes (Chain store Age Executive 1987)
- 'Atmospherics' (Babin and Darden 1996; Crawley 1993; Kotler 1973–1974; Yalch and Spangenberg 1990)
- Loyalty cards (Mägi 2003)

Income was not found to be a variable determining store loyalty. As far as grocery store patronage is concerned, though early studies (Dunn and Wrigley 1984; Enis and Paul 1970) found loyalty to be a characteristic of poorer shoppers, however, a recent study indicates significantly higher incomes and weekly expenditures of the loyal shoppers (McGoldrick and Andre 1997).

## Social Relationship as a Determinant for Place Utility and Store Loyalty

The major drivers for choosing a grocery store in India seem to be nearness to place of residence and the comfort level that the respondents have in dealing with the store owner (measured in terms of personal relationship with the shopkeeper) (Sinha and Banerjee 2004). Local shops are seen to provide a vital social and community function, particularly for those undertaking their main shopping locally (Smith and Sparks 1997). Mehta and Shah (2002) in a study in south India found that social relationships existed among buyers and sellers. In this setting, both buyers and sellers were greatly interdependent on each other for consumption needs and income, perhaps explaining the close, personal relationships in what has been

described as a '1-to-1 interactional marketplace' (Viswanathan 2007). Such 1-to-1 interactions pave way for the creation of reciprocal obligations and private information conduits, which are forms of 'social capital' (Herreros 2004). Such benefits, while predominantly social in nature, can indirectly lead to economic benefits for consumers (for example, good advice on product choice) (Iyer et al. 2005). This over a period of time leads to reputation of the store owner and the store becomes a credible source of information, perceived to be selling quality goods, providing good service, and so on. All this leads to the development of store loyalty.

Marketers should, therefore, understand the place utility of the stores to make the product available at the right store. Similarly, monitoring the store loyalty is important as the dominance of the store could mean a reduction in the brand loyalty.

## BUYING BEHAVIOUR OF SUVs

Problem Recognition: Reasons for purchasing four wheelers could be broadly grouped under the following categories:

- To commute to and from work
- For daily errands
- To go out with friends and family for recreational activities
- For extended family vacations
- To go camping

## Identifying Alternatives/Information Search

These two stages occur more or less simultaneously. The typical behaviour exhibited is that the initial information search is carried out to construct a

consideration set. Then the extensive search as described below is carried out on the consideration set.

### Car Dealers

Car dealers are typically the information providers for the cars. Most car dealers offer a test-drive of the car before purchase. They provide attractive brochures which contain pictures and specifications of the vehicle. Trained staff at the car dealer points help the customer understand the essential aspects of routine and special maintenance required. They also explain the terms of the warranty offered by the manufacturer. Dealers offer discounts, gifts, free accessories, additional free car services, and so on. Many dealers include the RTO registration and the insurance policy for the car at no additional cost as incentives.

### Word of Mouth

Invariably people take others' opinions regarding the cars they want to purchase. Such word of mouth feedback is obtained first hand from friends and relatives or from second hand sources like customer feedbacks that are available on auto magazine websites.

### Internet

With the Internet gaining importance, buyers gather information about competing brands from Internet.

## Choice of Brand

The buying behaviour exhibited is typically 'Extended Problem Solving'.

Attributes specific to SUVs:

- **Cost:** The Indian automobile market is very price sensitive. Even a small price cut in a model's price significantly boosts its sales.
- **Size:** As far as an SUV is concerned, people tend to believe bigger is better. Practical issues like parking ease and manoeuvrability take a back seat.
- **Interiors:** As with any other car, interiors are seen to be very important, more so because a lot of SUVs are positioned to cater to the higher-income customers, making the luxury requirements of interiors even more important. Interiors are not just about looks but also about functionality and comfort. This includes issues like what is the seat layout, how convenient is it to enter and exit, how comfortable are the seats for a long drive, how well laid out are the air-conditioning vents, and so on.
- **Resale Value:** Although a strong attribute for cars in general, this factor did not seem to play a very strong role in the selection of a SUV.
- **Looks:** Although a lot of advertising focuses on the various technical marvels and features of the car, consumers are very strongly influenced by the looks of the car. The looks of the car have to fit its image. For this reason, a SUV has to look macho and sturdy as compared to a family car which has a softer look.
- **Power:** Since SUVs bank heavily on the macho appeal, the power of an SUV (in terms of bhp or torque output) often becomes the technical specification which gets importance during the decision process.
- **Fuel Efficiency:** There is normally a direct trade-off between raw power and fuel efficiency. Hence, a SUV which is meant to be a powerful machine is not expected to have good fuel economy figures overall. But given that SUVs in general have low fuel efficiency; the relative differences between the various brands could be compared.
- **Safety:** Given the size and rigidity of the SUV, they are obviously expected to be sturdy. However, since they are supposed to be put to more rough use as compared to a family car, every extra bit of safety contribution coming by way of features like automatic braking system, airbags, reinforced cage, wider

tyres, and so on, contribute to an enhanced feeling of security in the mind of the consumer.

- **Accessories:** People who go in for SUVs being from the high income group, they also have a desire for accessories like music system, various controls like the trip meter, electronic seat adjustment, and so on.
- **Brand Image:** Most companies offering SUVs for sale in India have been in the industry for a long time and have built up a reputation and an image for themselves. This image plays a very important role in deciding the brand. For example, a car from the Mercedes-Benz stable is automatically perceived to be safe, high quality and expensive.
- **After-Sales Service:** Like other durables, after-sales service is important. After-sales service is not just about the quality of the after-sales service but also the ease of availability of spares and the cost of maintenance.

The average rating of the attributes in an exploratory study done in Jamshedpur is given in Table 6.3.

**Table 6.3** Average attribute rating for a SUV on a 4-point score

Cost	2.90
Size	2.97
Interiors	3.13
Resale Value	2.64
Looks	3.48
Power	3.72
Fuel Efficiency	2.99
Safety	3.48
Technology	3.37
Brand Image	3.20
After-Sales Service	3.33

*Source:* Author

*Note:* 4 is very important and 1 is least important

## Notes

1. Business Dictionary.com, 'Utility,' <http://www.businessdictionary.com/definition/utility.html> (accessed 24 April 2009).
2. American Marketing Association, 'AMA Dictionary,' [http://en.mimi.hu/marketingweb/place\\_utility.html](http://en.mimi.hu/marketingweb/place_utility.html) (accessed 24 April 2009).







# **Competitive Advantage**

**Building Entry Barriers**





**C**ompetitive advantage would mean that a company is able to maintain its position despite competition; an advantage that a firm has over its competitors, allowing it to generate greater sales or margins and/or retain more customers than its competition.<sup>1</sup> Kinra (1995) broadly described the competitive advantage of large, medium and small companies in India as follows:

Large companies overwhelmingly perceived their strength to lie in providing 'customer satisfaction' and their distinctive competence in after-sales service to customers, even though the objective was profitability. Presumably, this was due to the higher level of resources at the disposal of large companies in providing customer satisfaction. They saw their main existing threat as government policies despite the recent trends towards liberalization from government controls.

Medium-sized firms perceived their strength as being dynamic given that they have strong employee relation. They however see availability of raw material as their threat.

Small companies saw their major strength in their dealer network which fitted in with their strategy of market development along with an emphasis on 'trade promotion' and their major threat being financial resources.

While Kinra has identified broad parameters which suggest competitive advantage of companies (large, medium and small), individual firms would require developing a deeper understanding of the forces that affect the competitive advantage. In short, maintaining competitive advantage would mean keeping the existing competition at bay and erection of barriers-to-entry to stop new competition.

## ENTRY BARRIERS

Barriers to entry have the effect of making a market less contestable. They are designed to block potential entrants from entering a market profitably. They seek to protect the existing (incumbent) firms in an industry. That is, anything deterring competitors from entering the market is a barrier to entry.<sup>2</sup> Carlton and Perloff (2004) state barriers to entry is one of the critical factors determining a market structure.

Previous research indicate that barriers to entry are created by absolute cost advantages, economies of scale, product differentiation, the degree of firm concentration (Bain 1956; Mann 1966), capital requirements to enter a market, customer switching costs, access to distribution channels and government policy (Porter 1980). While these barriers discourage market entry, there are conditions that encourage and make it attractive for new market entrants to enter markets. For example, size and expected growth of the market have been found to be significant determinants of entry (Baldwin 1995).

Karakaya (2002) describes the four major underlying dimensions of entry barriers in industrial markets:

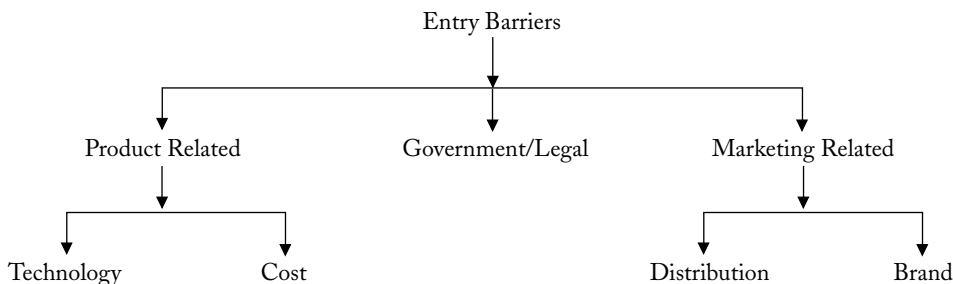
- Firm-specific advantages: These include advantages, such as proprietary product technology, possessing strategic raw materials, trade secrets held by incumbent

firms, absolute cost advantages and superior production processes. Such advantages, by their very nature, are difficult for new market entrants to replicate.

- **Product differentiation:** The entry barriers under this heading are the brand identification advantage held by incumbents, customer loyalty, heavy advertising by firms already in the market, the expense of marketing a product, customers' costs in switching from one supplier to another and access to distribution channels.
- **Financial requirements or cost of market entry:** These barriers include the capital requirements to enter markets, the capital intensity of the market, the amount of sunk cost involved in entering a market and the research and development expense involved in market entry.
- **Profit expectation of entering firms:** Under this heading can be classified the magnitude of the market share held by incumbents, the number of firms in the market, the profit rates earned by incumbents. The high profits earned by firms already in the market may make it easier for existing players to combat the arrival of a new firm by cutting prices or increasing the amount spent on advertising.

Figure 7.1 summarizes the entry barriers that restrict the entry of new players. Pass et al. (1994) mention these barriers need to be created by established firms to restrict entry (for example, entering into exclusive contracts with existing distribution channel members).

The process of building entry barriers is described below by developing an understanding of the market characteristics using Industrial Organization economics schema and then integrating it to the market attractiveness framework (five forces analysis).



**Figure 7.1** Classification of entry barriers

Source: Author

## Industrial Organization Economics Schema

The market structure–conduct–performance schema provides a useful analytical framework for companies seeking to formulate appropriate competitive strategies.

According to the structure–conduct–performance approach, an industry's performance (the success of an industry in producing benefits for the companies) depends on the conduct of its firms, which in turn depends on the structure (factors that determine the competitiveness of the market). That is, this schema (Pass and Lowes 1994) analyses the elements of the market structure and the market conduct that determine the market performance.

The market structure parameters considered to have a key influence on market conduct and market performance include:

- Market concentration: The number, size and distribution of the sellers and buyers.
- Nature of the product: Whether the product is a standardized product or it can be differentiated.
- Vertical integration: The extent to which firms in the market 'integrate backward' (supply their inputs) or 'integrate forward' (buy their output).
- Diversification: The extent to which firms operate in other product markets.
- Internationalization: The extent to which firms operate in other geographic locations.

Market conduct includes:

- Firms objectives: The goals firms set for themselves with respect to profits, sales, growth of assets and so on.
- Marketing processes: The strategies used by the firm to achieve competitive success.
- Inter-firm coordination: The extent to which firms within the industry collaborate.

Market performance is judged by:

- Product efficiency: Are the companies producing at the lowest possible cost?

- Selling efficiency: The extent to which firms adopt cost-effective advertising and selling techniques.
- Profitability: Profitability of the firms in the market.

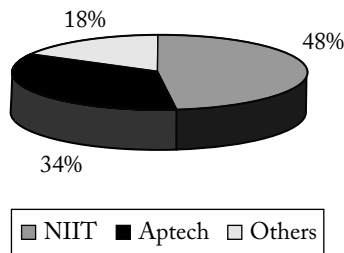
The market structure–conduct–performance framework is used to analyze the Information Technology (IT) training market industry in India.

## IT TRAINING MARKET

### Market Structure

#### Market Share of Major Players

The market share of major players is given in Figure 7.2. NIIT (48 per cent) and Aptech (34 per cent) are the two big players, the rest of the players ‘Others’ have (18 per cent).



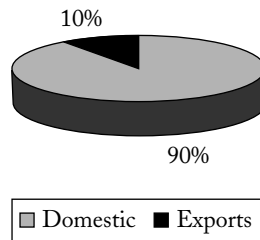
**Figure 7.2** IT training market share

*Source:* Author



### ***IT Training Markets***

The IT training market in India can be categorized into Exports and Domestic training (Figure 7.3). The IT training industry exports approximately contribute 10 per cent of the revenue and the balance coming from domestic market.

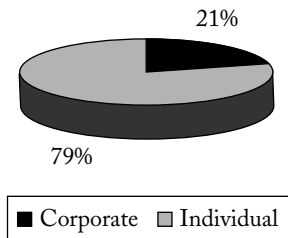


**Figure 7.3** IT training market

*Source:* Author

### ***IT Training Segments***

The IT training segments in India can be broadly categorized into corporate and individual training (Figure 7.4). The corporate training segment constituted 21 per cent while the individual training business contributed the balance 79 per cent.



**Figure 7.4** IT training segments

*Source:* Author

### ***IT Education in Company Portfolio***

Given the negative impact that the slowdown has had on the training business, training companies, across the spectrum, tried in their own ways to spur growth. The IT training companies moved to a new business strategy which has two components, one aimed at addressing the training segment and the other aimed at the software development business. Due to the continuing slowdown in IT education sector, revenues from software business of the major players like NIIT have exceeded those from the education business. In 2002, NIIT renamed its global software business as 'NIIT Technologies' with the objective of giving it a distinct identity.

For NIIT, although the education enrolments are less and the education sector is bringing in lesser revenues as compared to software developments, education is still a key service in the portfolio, especially since it is the market leader. For Aptech, education continues to be the major service in the portfolio after their merger with SSI Education division for market consolidation.

### ***Demand and Market Trend***

The demand for IT training was high till 2001 as the general public felt (a) IT would take over most of the future world and that computer literacy would be required no matter which field of business they chose; (b) even a lower level programming skill would help them develop a career and (c) placement opportunity for fresh graduates trained in these institutes.

However, the general IT slowdown during 2001 saw a drop in the demand. The one big fallout was that the fly-by-night IT education training centres which had mushroomed to take advantage of the interest in IT training didn't survive the recession. It was truly a case of 'survival of the fittest' and the best were the ones who came out of the slowdown stronger and tougher.

Year 2001 not only had the small firms being wiped out from the scene but even bigger firms like NIIT and Aptech had taken a 90 per cent hit in profits. The existing players had to look towards tapping new segments and adopting new business models for their survival.

With the industry facing a slowdown, there was no need for software professionals to be generated overnight. The industry now required professionals who were strong in their fundamentals, who could adapt themselves to the changing scenario, and importantly justify the cost of their education to their employers/sponsors. The idea of crash courses like 'Java in 21 days' was withdrawn. All this warranted a change in product offerings. They had to move away from pure retail education towards value-added industry-specific courses. The new scenario demanded more customization, vis-à-vis, training given in technologies as opposed to generic courses, such as Java, C++ and so on. There was an increasing thrust on corporate and industry initiatives.

The skills in demand were in the areas of software engineering, programming and analysis, Internet and e-commerce applications, database administration, network specialization and communication engineering, digital media, business applications of software development, application service providers (ASPs), Web-based applications, networking applications, Java, data warehousing, client networking, project management, quality assurance, technical writing, legacy systems, among others.

Many innovative business models came into play as the existing companies recognized the desire for change. Some of the examples include:

Tata Infotech introduced the concept of 'blended learning' where they used a combination of instructor-led and computer-based training. Cisco decided to focus on its network education programme as it felt there was a shift happening in that direction. Aptech settled for a hybrid model of delivering education, which was christened Aptech's Multimodal Education Delivery Architecture (AMEDA) which helped in cost-optimization and use of technology. ZILS added corporate training and learning solutions for academic institutions to its initiatives while reducing its dependence on purely conventional IT education.

These changes helped Aptech's modular and career courses acquire demand. The G-Tech course of Tata Infotech showed maximum enrolment in 2001. Similarly, the Cisco Certified Network Associate course has seen a large number of registrations.

There was also a growing trend of IT professionals also wanting to supplement their existing skills. So, specific courses designed keeping in mind the exposure required for the various domains had demand.

Courses like Call Tech (for call centre training) and Prof-fit (for training for non-IT industries) offered by Aptech have evoked a good response.

## Market Conduct Behaviour

### Marketing Strategy

Big players like Aptech, NIIT rely on their brands to portray issues of quality education. Their tie-up with foreign companies and universities also helps them in this respect. Big players have tied up with software companies to teach packages like Seibel and Rational.

On the price positioning front, different players had different strategies with players like Globesyn being in the market for only high-end courses, players like NIIT and Aptech catering to both high- and low-end courses and finally MICE at the lower end. The unorganized market also focuses on the low end at a very low price. The marketing programmes adopted by players are described below.

### *Place*

To increase their reach, companies have implemented the franchisee model in various places. The new centres of these institutes come up in strategically important locations in order to make it convenient to the students. This has allowed them to have their service even in small towns and some villages. New market segments like government employees, housewives are being targeted to increase their student base.

### ***Product***

NIIT with a view to build a distinct brand identity has divided the entire NIIT education offerings into three separate brands—Futurz, CATS and SWIFT—with the aim of giving most appropriate programmes to different market segments. To increase their market, they are resorting to alliances with foreign firms and tapping the market abroad in countries like China, Columbia and Turkey.

Players like Aptech have introduced the concept of Internet and information superhighway training.

International tie-ups with global giants, such as IBM, Apple, Oracle, Novell, J3 Learning and so on, brings the latest and the best education to Aptech students. Tie-ups with international universities, such as Open University of British Columbia, PACE University, USA and so on, help the students to get international degrees while receiving training in India.

New courses were developed immediately when any new technology was out. At the same time courses are not just meant for IT professionals in software but also for those who look to apply IT in sales, marketing, banks, accounts and so on. Hence, there are courses to teach Tally, ERP packages, CRM packages and so on.

### ***E-learning***

The cost involved in offering IT training is substantial with the need for the most up-to-date infrastructure and qualified staff. Hence, in order to cut costs and tap the segment of the population which cannot travel to the institute, the concept of e-learning in IT education was developed by NIIT and is now followed by many players. Here, learning is imparted online over the Internet and students can access at their convenience.

### ***Promotion***

Scholarship schemes have been used as an added incentive to attract students to join.

NIIT has roped in chess champion Grand Master Vishwanathan Anand as their brand ambassador.

These institutes organize seminars in graduate, secondary and higher secondary schools to target the students. Television and print media advertisements are very common.

### *Pricing*

NIIT and Aptech charge high fees for most of the technical courses, while their fees for courses meant for beginners and people who only want to familiarize with computers is somewhat less.

There are institutes like MICE which charges 50 per cent of the course fee charged by the other players for a similar course. On one side, while the lesser price puts the course within the reach of the lower income group, many perceive it to be lesser in quality.

During vacations, schemes are run to target students, wherein fee discounts are offered so as to attract the students when they have ample free time.

## Market Performance/Profitability

The market of the software coaching industry has been quite fluctuating. With the recession in the US market during 2001, the major market players like Aptech and NIIT have lost out hugely on profits (Table 7.1).

**Table 7.1** Profitability of IT training companies

<b>Decline in Net Profits (YoY)</b>	<b>Jun 01</b>	<b>Sep 01</b>	<b>Dec 01</b>	<b>Mar 02</b>
NIIT	-93.2%	-86.2%	-88.40%	-95.8%
Aptech	-94.1%	-95.7%	NA	NA
SSI	-82.0%	-89.9%	-93.10%	-77.0%

Source: Author

The fluctuation in profits was not solely dependant on the US economy. The local market also had a role in the drop in profits. The ‘low-entry-barrier’ effect lead to a lot of players in the market and thus, each was competing for a smaller share of the market. In fact, many companies that came up in that period followed the ‘make hay while the sun shines’ principle. And many students joining this programme after paying huge prices for the courses could only land up being faculty members of the same coaching institutes, mostly recruited on contract basis. This led to a downward trend in the market. Some results have been depicted in Table 7.2 showing the income of NIIT and SSI.

As seen in the IT education example, the market structure–conduct–performance patterns provide an indication of the forces in a market enabling a company to assess the attractiveness of the market (Pass and Lowes 1994). In the IT education market it was clear that they are low-entry-barriers and the companies’ market performance was being affected (also refer to case study). This information could be further meaningful if it could help marketers develop an understanding how and what type of entry barriers need to be built. The subsequent part of the chapter deals with linking this information with the market attractiveness framework (five forces analysis).

**Table 7.2** Market performance of IT training companies

	Unit	Jan–Mar 01	Sep–Dec 01	Jan–Mar 02
<b>NIIT</b>				
Revenues (Rs mn)	Rs mn	1,595	742	814
No of centres (Nos.)	Nos.	2,228	2,497	2,510
Revenue per centre (Rs)	Rs	715,889	297,157	324,303
<b>SSI</b>				
No of centres (Nos.)	Rs mn	601	749	771
Revenues (Rs mn)	Nos.	567	311	209
Revenue per centre (Rs)	Rs	943,428	414,686	270,947

Source: Author

## FIVE FORCES ANALYSIS

Using the above Industrial Organization economics concepts, Michael Porter developed the Porter's five forces analysis (Porter 1980). The five forces are:

- The extent to which substitute products present a threat.
- The threat of new entrants to the market.
- The intensity of rivalry among players.
- The bargaining power of the buyers.
- The bargaining power of the suppliers.

The existence of close substitute products increases the risk of customers to switch to other products. The following factors determine the threat of substitutes:

- If a buyer can identify another product satisfying same need.
- Perceived value of substitutes.
- The ease with which a consumer can change from one product to another.

For example, in the breakfast foods category, the threat of substitutes would be high as the consumer can shift across various products as these satisfy the same need without much difference in the perceived value.

Competition is likely to enter into any market that yield high returns. This would decrease profitability. So, existing companies need to erect entry barriers to block new firms from entering. The entry barriers are influenced by:

- Patented products with existing players (for example, shaving blades industry. The availability of patents makes it difficult for new players to enter.)
- Product innovations (for example, cell phone industry. The fast obsolescence of models makes it necessary for the companies to innovate. So, it becomes



difficult for new companies to match the product innovations of existing companies.)

- Brand power (for example, soft drink industry. The existing players have a strong brand power and this makes it difficult for new players to enter.)
- Capital requirements for new player (for example, automobile industry. The capital required is high and this restricts the entry of new players.)
- Access to distribution channel (for example, cigarette industry. A new company would find it difficult to match the reach of ITC.)
- Economies of scale of existing players (for example, steel industry)
- Government policies (for example, the government policies regarding foreign participation in retail sector)

The degree of competition within a market. The dimensions which determine the degree of competition include:

- Number of competitors
- Demand for the product category
- Degree of product differentiation
- Advertising expenses by existing companies

In general, in the consumer non-durables industry, the intensity of competition is high because there are several players and these players are competing within a mature market (low growth rate) by product differentiation and high advertising expenses.

The ability of customers to shift to another product and brand would put a company under pressure as the buyers would have a higher bargaining power. The buyers' bargaining power can be studied under two levels:

- End consumer power
  - Brand switching: If the consumers can switch between brands then the buyers have a higher bargaining power.
  - Buyer knowledge: The availability of knowledge about brands increases the bargaining power of the buyers.
  - Price sensitivity: If buyers are price sensitive then the companies would be forced to reduce the prices, thereby reducing the companies' bargaining power.

- Power of channels of distribution
  - Dependence on existing channel: If the company has to depend on the existing channel, then the channel can exert a higher bargaining power (for example, consumer durables).
  - Store loyalty: High amount of store loyalty would increase the channel's bargaining power.

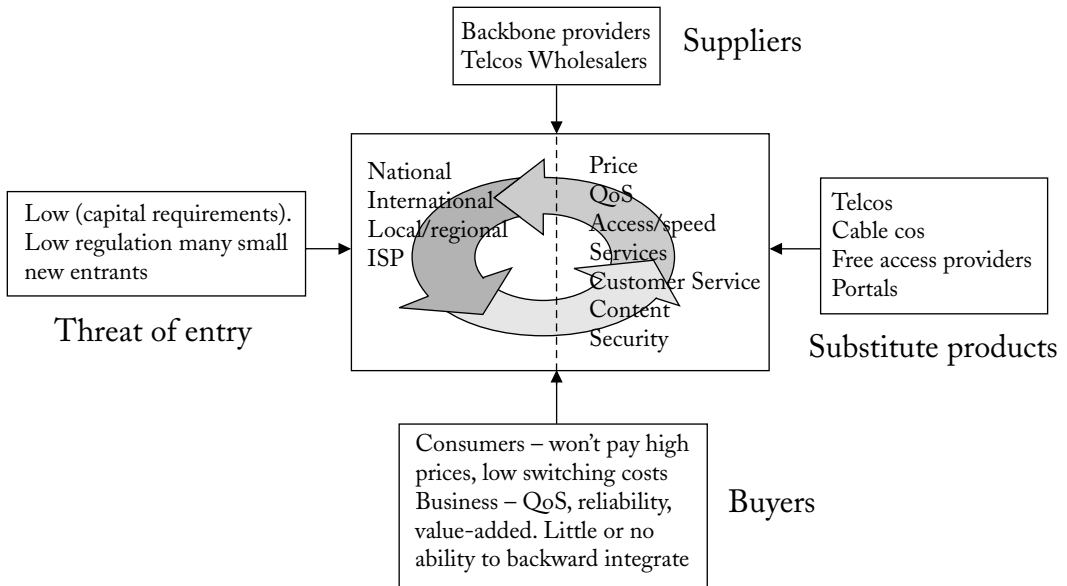
Suppliers of raw materials can be a source of power by exercising bargaining skills over a firm, resulting in high prices for their service. This factor is influenced by:

- Availability of suppliers: Larger number of suppliers would mean that the company can source material from any supplier, thereby maintain a higher bargaining power (for example, manufacturing of consumer non-durables by third parties).
- Uniqueness of inputs: Unique inputs have to be procured from few suppliers, so the suppliers would have a higher bargaining power (supply of coal and other minerals in India is controlled by government and this reduces the bargaining power of the company).
- Threat of forward integration by suppliers: If the suppliers develop capabilities of producing final product then they could charge a higher price for critical components not easily available in the market (for example, BENQ, a picture tube manufacturing company has become a television manufacturer and has put pressure on the companies procuring picture tubes from it).
- Cost of inputs relative to selling price of the product. If cost of raw material is significant, then the suppliers could have a higher bargaining power (for example, iron ore for steel manufacturing. Unlike some steel companies, Tata Steel has a cost advantage in manufacturing because it has captive raw material sources).

## ISP MARKET

The Porter's five forces model is elaborated by applying it to Internet service provider (ISP) market with special reference to Videsh Sanchar Nigam Limited (VSNL).

In the ISP market, all these forces exist, some more intensely than others. Figure 7.5 shows these forces diagrammatically.



**Figure 7.5** Five forces model for the VSNL industry

Source: Author

## Rivalry Within the Industry

The centre box in Figure 7.5 represents the rivalry in the industry. Left part of the box indicates the type of players in the industry. The right part of the box indicates the parameters on which the market is being fought.

- As in any industry, there is competition based on price. If one company can do something as good as another, and for a cheaper price, then the former will have

an advantage and thus be successful in competition. In the basic access/basic services arena, many companies are offering the same deal—access and basic services, and so the companies providing the services at a lower price than others will attract customers. To avoid price competition, VSNL should, therefore, have to offer something special to differentiate them from others.

- Guaranteed quality of service is of great importance where real-time traffic is concerned. The availability of service-level agreements will soon be ubiquitous, and acquisition of customers will be fought over price of quality of service (QoS) rather than availability.
- The speed of access, although improving with each new technology, is still far from being satisfactory. The Internet can be seen as a series of bottlenecks, with delays occurring at each junction. The speed of an Internet connection is also only as quick as the speed of its slowest link, which is usually the last mile from the ISP to the home. So, VSNL should guarantee a certain speed to a customer, to fight competition.
- Those companies that are able to keep up with newer, faster technologies are more likely to be able to keep up with the needs of their customers.
- Customers may want access service online at any time; there is therefore a need for a 24 hour/7 day customer phone service. However, if a connection cannot be made with online support it leads to customer dissatisfaction.
- Most ISPs focused largely on providing access-oriented services and have left content-related services to the online providers, as their network engineering skills have little relevance when it comes to building content. However, it has been established that content is one of the main differentiators in the ISP market. Those that can secure lucrative and exclusive deals with popular content providers (entertainment companies, newspapers, music companies, stock market information) will have a distinct advantage over those that cannot.
- At the same time, content providers are looking to join the ISP market. A content provider connecting to the Internet does not want its integrity to be compromised, and so will shop around until it finds an ISP that can as-good-as guarantee security.

Overall, it can be said that an explosion in the number of ISPs over the last few years meant intense rivalry within the industry. However, there is such an enormous growth in the customer base that the market is still attracting more companies.

## Threat of Substitute Products

There is a tremendous attraction for companies other than ISPs to offer Internet access and services. Cable companies can provide similar services, and sometimes at a reduced rate. They can offer bundled services which are convenient to some customers. Although they may not have the experience of established ISP players, they still pose a significant threat, particularly as access and basic services have become commoditized.

## Threat of New Entrants

Due to the nature of the ISP market as mentioned above, the threat of new entrants is reasonably strong. There are low barriers to entry—all that is needed to become an ISP is a small amount of capital and some technical know-how. Much of the activities can be outsourced, which can reduce initial costs (very low production-related barriers). Regulation in this area is low, meaning that anyone wanting to enter the market can do so easily (no legal barrier). Due to the concept of interconnection, companies need not own any sort of network—they can use other networks at a price. There have been, and continue to be many new entrants to the market. Those that find a niche market and provide a satisfactory service will always have a sufficient customer base to enter the business (no market-related barrier).

## Bargaining Power of Suppliers

The suppliers to VSNL are those that own the networks. These tend to be telephone companies (telcos) and backbone providers. Backbone providers

generally own what is the absolute backbone of the Internet, and control routing and switching of traffic. Telcos own the local loop copper pairs, which most customers use to connect to their ISP, the lines that ISPs lease to connect to the Internet. Because it is impossible for VSNL to build their own network, it is necessary that companies use the existing networks. They have to do this, which gives the suppliers some power.

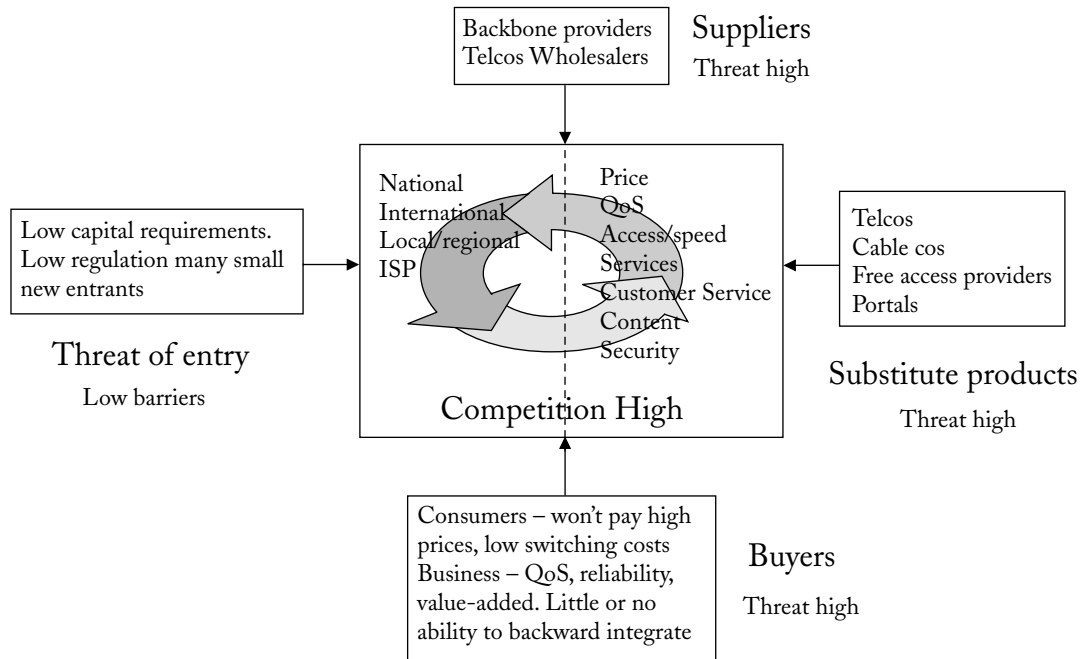
## Bargaining Power of Buyers

Due to the rivalry within the market, VSNL generally have to offer their services at reasonable prices. They will lose their customer base if they charge more for a service someone else provides cheaply. Switching costs are low, and so churn rates are high. All these suggest buyers have the bargaining power.

The situation of low entry barriers, high bargaining power of suppliers and buyers, a high threat of substitutes, coupled with high intra industry rivalry puts VSNL in a competitive disadvantage (Figure 7.6). The company should work out strategies to reverse the situation, that is, increase the entry barriers, reduce the bargaining power of the buyers and suppliers, reduce threat of substitutes and reduce intra-industry rivalry.

## COMPETITIVE ATTRACTIVENESS: A DECISION-MAKING APPROACH

The decision-making approach is suggested by integrating the two models (Industrial Organization Economics and Porter's 5 forces). The approach focuses on the changes in the market conduct (as described in the Industrial



**Figure 7.6** Competitive position of VSNL

Source: Author

Organization Economics framework) with the five forces that determine the competitive advantage as suggested by Porter. Market conduct and its impact on the entry barriers are detailed below.

## Price Reduction Strategy

Reducing the price would (a) make it unprofitable for new companies to enter, and (b) reduce the profitability of existing players who are 'inefficient', thereby reducing intra-industry competition also.

However, price reduction would be possible only if the company has a dominant position vis-à-vis the suppliers (that is, the suppliers bargaining power is low). In effect, price reduction strategies would create production level entry barriers.

## Branding Strategy

Differentiation and creating unique features would help reduce the bargaining power of the buyers. This would create marketing level entry barriers.

A company could use production level entry barriers for a short term and try to build on long-term entry barriers by creating brand image.

The next section would integrate the information gathered about the market situation for marketing decisions (segmentation, targeting and positioning).

## INDUSTRIAL ORGANIZATION ECONOMICS SCHEMA FOR PERFUME MARKET IN INDIA

‘The potential of the Indian market is so huge that big cosmetic companies now choose to launch their perfumes in the Indian market almost simultaneously with the international launches,’ says Varsha Dalal, Executive Director of the House of Baccarose, Mumbai.<sup>3</sup>

However, these international brands have yet to make a dent in the Indian market because around 95 per cent of the imported perfumes business is still in the grey market. The 125 per cent import duty makes the costs of imported perfume high. The imported brands start from Rs 400 and go up to Rs 5,000 for 100 ml bottles. The evasion of custom duties makes the products in the grey market at least 40 per cent less expensive.



The fragrance market in India is estimated at Rs 180 billion and is growing at the rate of 20 to 25 per cent annually. Of this, the organized sector is about 5 billion. There is a consumer base of around 7 to 12 million who are conscious of the brands. Analysis of the perfume market using the Industrial Organization Economics schema is discussed below.

## Market Structure

### Characteristics of the Market

#### *Number of Players*

The Indian perfume market, as a whole, is quite fragmented and only data pertaining to the premier segment of this market is available. There are a large number of foreign companies targeting the Indian premium perfume market. The unorganized Indian perfume market includes the attar manufacturers and the regional players. Lately, some Indian companies have started catering to the 'premium' as well as the middle-income segment. For example, Calvin Klein has a 15 per cent market share. Spinz perfume has a 5.8 per cent market share (all-India), while in south India it is slightly better off with a 7 per cent share.

#### *Demand*

The demand in the Indian market is not commensurate with the population. Moreover, Indian consumers do not traditionally use perfume, and a bottle can last almost a year. The current mindset is towards value for money. According to Guillaume Nagy, Marketing Manager-Asia Pacific, Nina Ricci, the priorities of the middle class are expected to change from

food and clothes to luxury items<sup>4</sup> and then they will develop tastes more similar to Americans and Europeans. He estimates around 25 per cent of the middle class would be ready to enter the luxury segment a decade from now. Varsha Dalal, Executive Director, House of Baccarose, Mumbai, is of the opinion that import duties reduction from the 216 per cent to 125 per cent could spur demand.

### ***Degree of Buyer and Seller Concentration***

The market is concentrated with a very small part of the population (barely 4 per cent). That is, the number of consumers earning Rs 1 million a year, who can afford to spend an average of Rs 1,200 on a bottle of perfume are few.

### Competition

In the Indian perfume market, in addition to the competition among the foreign players, in recent years, some Indian brands too have started targeting the premium segment; notable among them is the Lata Eau De Parfum. Moreover, the perfume industry faces tough competition from products like talcum powder, fragrant soaps and deodorants (product level competition).

### Entry Condition

While there are no restrictions either for setting up manufacturing facilities or importing, the cost of the product itself creates an entry barrier. The high tariffs on imports means that most imported brands are out of reach of the lower middle class. Similarly, the present size of the Indian market also inhibits an investor from setting up a manufacturing plant.

## Product Differentiation

Brands are primarily differentiated by its fragrance and packing. For example, the Indian perfume (attar) has a special market for its special features, such as natural scents and being devoid of any artificial chemicals. For these reasons, they have special clientele which includes even celebrities like the world famous Shanaz Hussein.

## Flow of Information

Since most foreign brands are associated with the premier segment in the Indian market, the most important way of communication for them is via celebrity launches and glamour quotient attached to their brands. With increasing number of Indian beauty queens making their presence felt at the world level, the foreign brands advertised by them have helped these foreign players in terms of increased awareness about their products. Travel abroad is another way of increased awareness about foreign brands.

## Marketing Behaviour

### Strategies Adopted

Different companies adopt different strategies to market their products in the Indian market. Usually, companies adopt a proactive strategy as opposed to a reactive strategy. Given below are details of three companies that sell their perfumes in the Indian market, followed by the strategies adopted by the companies in the context of packing, place, promotion and pricing.

### *Paris Elysees*

- The US\$70-million French perfume major, Paris Elysees initially launched 27 different fragrances in the Indian market, which later went up to 45.
- It plans to keep on expanding its product portfolio in a phased manner.
- According to Emmanuel Balayer, Executive Director, Sales and Marketing, Paris Elysees (Asia Africa Intelligence Wire 2002), 'To maintain our quality, we will be importing the raw material, i.e. fragrance, and bottles.'

### *CavinKare*

- CavinKare has sought to associate its Spinz brand with fashion and has announced the 'Spinz Fashion Mania' in Chennai. Interestingly, this alliance is going along the lines as Hindustan Lever Limited's association with (Lakme) India Fashion Week.
- According to a CavinKare spokesperson, 'Spinz has a youthful, lively and trendy positioning' (Shamni 2003).

### *Lanvin*

- Launched in Mumbai, the euro 46-million fashion label, Lanvin, introduced its range of fragrances both for men and women. Lanvin's Indian foray is a tie-up with the House of Baccarose, one of the country's largest marketer and distributor of lifestyle products.
- Though Lanvin started out as an haute couture label, over the years it has moved to becoming a prêt and fashion accessories brand, says Dominique Bretly, International Marketing Director at Lanvin's. 'In the last two years, the quality of distribution and retail networks in India has improved tremendously. Consumer awareness towards international brands has also grown. All these factors gave us the confidence that it was the right time to enter India,' according to Bretly (Anusha 2003).
- Lanvin has launched Arpege and L'Homme for men and Oxygen for both men and women. The company has also launched Éclat' D'Arege in the Indian market. Bretly claims that Éclat' D'Arege is its latest fragrance worldwide and will be widely promoted in India too.
- The average price of these perfumes ranges from Rs 1,900 for a 30 ml bottle to Rs 3,180 for a 75 ml bottle and Rs 4,350 for the 100 ml pack.

- The Lanvin products are available at the large format retail stores or perfume boutiques in Mumbai, Delhi, Kolkata, Bangalore, Hyderabad and Chennai.

## Marketing Strategies

The strategy adopted by the perfume companies has been to sell personality rather than a product. The companies present in the Indian market are mainly targeting the upper income segment. Most companies are trying to reflect the exclusivity by the variety of scents and the design of their bottles.

### Packaging

In perfume industry, packaging is called the fifth P, along with product, price, promotion and place. Well-designed packaging enhances the brand personality consistent with its positioning. Hence, perfume manufacturers go to great lengths to design the bottle (primary package) and the cardboard box (secondary package). For example:

- Dali Flor comes in a bottle shaped like one of Dali's paintings, a woman with a head of roses, and smelling of fresh fruits.
- Azura for Women comes in a beautiful orange glowing bottle with a floral and musky perfume. The bottle is attractive with two bubbles in lively orange.
- Pure Vivetier, sold in green cubical bottles, offers a sensual fragrance, while the Pure Lavender is woody, elegant and subtly masculine.

### Pricing

The price for imported brands starts with around Rs 1,000 for 30 ml vial and goes up to about Rs 5,000. The prices of Indian brands start at around

Rs 150 and go up to Rs 450. An Indian perfume that focused on the premium segment was Lata Eau De Parfum—named after Lata Mangeshkar. The idea was to use a name that stood for our rich heritage, which would have a lasting impact. Prepared for domestic buyers, Lata already has a fairly good response. In just five months of its launch, it sold 16,000 packs, despite being priced heavily at Rs 1,700 for 100 ml. Initially, there was some resistance to the price, but the company educated the consumers about the quality of the product. Lata is made locally, but the glass bottle, caps and pumps are imported from international suppliers.

The prices of some of the super brands of the premium segment are given in Table 7.3.

**Table 7.3** The prices of some of the super brands of the premium segment

Perfume	30 ml	50 ml	100 ml
<i>Foreign Brands</i>	Price in rupees		
Carolina Herrera	1,000	1,800	2,800
Paco Rabanne Pour Homme	685	1,350	2,000
Gucci Envy	1,575	2,275	3,000
Anna Sui	1,400	1,900	2,800
Rochas Aqua Woman	1,450	1,875	2,750
Cartier-So Pretty	1,950	2,550	3,850
Laura Biagiotti—Roma EDT	—	2,150	2,850
Lanvin-Eclat d'Arpege	1,900	2,450	3,300
Arden Beauty	1,950	2,450	2,850
Escada Sentiment Pour Homme		1,875	2,650
<i>Indian Brands</i>	—		
Lata eau de parfum	—	1,700	—
SRK	—	1,000	—
Attars	—	200 to 800	—
Spinz	—	200	—

Source: Author

## Promotions

The product launches of the premium brands are often hi-society celebrity gatherings with fashion shows thrown in. This ambience extends to the retail outlets as well. 'The Indian consumer wants to feel equal to his or her counterpart abroad, and wants an international experience,' says Benny R, Brand Manager Gucci Parfums (*Midday* 2003). Most foreign brands are now intent on developing exclusive international fragrance counters in major metros. These counters would reflect luxury with an abundance of glitz and glamour, and attractive international point-of-sales material. The aim is to effectively showcase luxury brands.

Hindi cinema's top actor Amitabh Bachchan is all set to launch a French perfume to be named after him. The fragrance, created by the French perfume industry, Lomani, is a reflection of the actor's character, an expression of his personality and innate style. The French perfume is said to embody selected elements that the star represents.

CavinKare is associating itself with fashion to target the young segment. 'Spinz fashion mania' is a part of this promotional strategy.

MTV is banking on its huge brand equity to promote sales of MTV Plugged to youngsters.

## Place

The catchphrase today is not mass market, but niche market. American and European big names are opening their own outlets instead of selling their products through the mushrooming malls and supermarkets in India. 'Let them come to us instead of buying our products off the shelf so that specialists can brief them about our products and establish a permanent relationship with the customers,' according to a senior executive of a perfume company (Bhattacharjee 2003).

## Market Performance

As mentioned earlier, the fragrance market in India is estimated at Rs 180 million and is growing at the rate of 20 to 25 per cent annually. The organized sector is about Rs 5 million. Around 95 per cent of the imported perfumes business is still in the grey market. The 125 per cent import duty makes the product costly. The evasion of custom duties makes the products in the grey market less expensive.

Paris Elysees expects to touch a turnover of Rs 10 million in the next five years. In just five months of its launch, Archies perfume division which touched a sale of Rs 0.8 million has decided to discontinue due to heavy competition.

## Notes

1. Investopedia, 'Competitive Advantage,' [http://www.investopedia.com/terms/c/competitive\\_advantage.asp](http://www.investopedia.com/terms/c/competitive_advantage.asp) (accessed 13 May 2009).
2. Vadim Kotelnikov, 'Barriers to Entry: New Entrant's View,' [http://www.1000ventures.com/business\\_guide/crosscuttings/competing\\_barriers\\_to\\_entry.html](http://www.1000ventures.com/business_guide/crosscuttings/competing_barriers_to_entry.html) (accessed 13 May 2009).
3. Priya Ramani and Ramesh Vinayak, 'Marketing Love: Grist for the *Dil*,' <http://www.india-today.com/itoday/15021999/cover2.html> (accessed 25 March 2009).
4. Financial Express, 'Nina Ricci Steps up Focus on the Indian Market,' <http://www.financialexpress.com/news/nina-ricci-steps-up-focus-on-the-indian-market/118072/> (accessed 25 March 2009).





## **Section 3**

# **THE DECISION-MAKING**





# **Segmentation and Targeting**

8



T

he important decisions that the marketer has to take to build a strong competitive position can be summarized as segmenting, targeting and positioning (STP). This section develops frameworks for formulating the STP using the information obtained from Section 2 (Understanding the Market).

Since the concept of market segments was first introduced by Smith (1956), the process of dividing markets into smaller segments, that is, aggregation of individuals in a market into groups (segments) that have similar attitudes or seek similar benefits when choosing a brand (Bagozzi 1986) has become an important part of marketing. Depending on the product (or service) category and the buyer, marketers use a variety of criteria for segmentation, such as consumer needs, characteristics and behaviours.

Segmentation is followed by market targeting, that is, an evaluation of the attractiveness of the segments and selection of specific segment(s) for marketing. For these target segments, positioning strategies (differentiating the brand from the competition) are developed. This chapter would discuss about the process of segmenting and targeting.

# SEGMENTATION

Segmentation is a tool that can help to understand the commonalities and differences among various groups to enable the marketer to identify portions of any market that are different from one another. Segmentation is critical for developing and channelling marketing communications because it could incorporate a variety of attitudinal, behavioural, demographic and lifestyle information (Waller 1998).

Market segmentation therefore involves the identification of segmentation variables by which the market could be divided into homogenous groups. The process of segmentation is described by:

- Describing the segmentation variables commonly used
- Guidelines for segmentation
- A decision-making approach for segmentation

The segmentation variables commonly used are described using the example of formal shoe market in India.

## Types of Segmentation for Formal Shoes in India

### Geographic Segmentation

The market is segmented on the basis of the class of the cities like metros, A class cities, and so on. This is done because the use of formal wear shoes is different in different types of cities. Another reason is that the number of potential users also varies across different cities.

## Demographic Segmentation

Here the basis of segmentation would be primarily age, income and occupation.

### *Age*

Age is an important factor because the need of formal shoes for different age groups is different in their choice of designs and need requirement. Thus, the segments identified are:

- <21 years school or college students—here the type of formal shoe is largely governed by the ‘uniform’ requirements of the educational institute.
- 21–35 years young working professionals settling in jobs. They look for stylish shoes.
- 35+ years professionals who are settled in their careers. They look for more functionality/comfort.

### *Income*

Income-based segmentation is done to identify and understand potential buyers having the purchasing power. The segments on the basis of income would be:

- <Rs 15,000 per month. Non-management cadre employees
- Rs 15,000 to Rs 25,000 per month. The lower to middle level management employees.
- >Rs 25,000 per month. Senior managers.

### *Occupation*

Occupation is also an important basis of segmentation as the need for formal shoes differs from profession to profession. The segments on the basis of occupation would be:



- Service industry like hotels, airlines, call centres
- Manufacturing firms
- Bankers and investment analysts
- Marketing executives

### Psychographic Segmentation

Psychographics could also be used while segmenting the market for shoes because of the variance in preferences of the consumers according to life-style. The segments would be:

- Party lovers
- Workaholics—people who are always involved in their work
- Balanced professionals who work hard as well as keep up with their fun life
- Fashion conscious—people who like to be updated with the latest available in fashion

### Guidelines for Segmentation

While there are several variables available for segmentation, a marketer should develop segments which are meaningful from the company's point of view. Marketers need to create segments that are:

- Measurable: The marketer should be able to measure the segment in terms of size and/or volume. A segment which is not measurable would make it difficult for a marketer to plan the offering for the segment.
- Accessible: The segments should be accessible by the marketer to serve them and to communicate to them. Rural markets in India for many years were an attractive market for consumer goods but they were not accessible due to lack of infrastructure.

- Substantial: The segment should be large enough to profitably serve them.
- Actionable: The marketer should be able to develop a marketing plan to satisfy the needs of the group. The plan should be such that it benefits that segment only and should not allow a cross movement of the product or the customers across the segments. 'Chotta (small) Coke' was primarily launched for the rural segment and the lower income group. However, the product offering was equally attractive for the urban market and the product ended up being sold in the urban market and thereby cutting into the market of the 'bigger coke'. Hence, the move of providing a Chotta Coke could not serve the intended purpose of expanding the market without affecting the existing segment.

## Segmentation: A Decision-making Approach

The objective of the decision-making approach is to identify people who behave in a specific manner and help design the marketing programme specific to that group. So, the decision-making approach suggests that the segmentation should start with the customers and work backwards as it would help marketers identify the profile of the potential customers (making it easy to measure and check whether they would be accessible/substantial) and understand how they could influence their behaviour.

### Theoretical Background

As seen in Chapter 6, a consumer adopts specific decision-making styles, whether picking, impulse, variety seeking, habitual or subcontracted. This in turn will influence both the product/brand, price and where it is purchased. Research has also found that consumers approach a purchase with consistent decision-making styles (Bakewell and Mitchell 2004; Durvasula et al. 1993).

Segmenting consumers by their decision-making style (behaviour) could therefore be used for marketing (Lyonski and Durvasula 1995) by designing,

positioning and promotions tailored to specific segments (Mitchell and Bates 1998).

While behaviour would be a good basis of segmentation, it would not be worthwhile to a marketer unless the characteristics of the segment behaving in a specific manner are known (that is, the company should know who its consumers are to reach the product to them).

## Behaviour as a Function of the State of Mind and State of Being

Marvin (2006) states a person's state of mind determines how the world looks to him and this in turn determines his/her behaviour. Thus, Marvin concluded that a person's behaviour is a symptom of his/her state of mind.

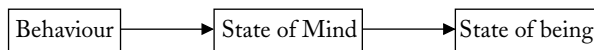
According to Banerjee (2008), in the marketplace, it is almost true that consumer's perception of a product's attributes are influenced by culture and values system.<sup>1</sup> Culture, therefore, builds homogeneous groups of people with collectively shared meanings, way of life and common set of values. Deresky (2003) also states that culture comprises the shared values, assumptions, understandings and goals that are learned from one generation, imposed by the current generation, and passed on to succeeding generations. Scarborough (2000) states culture governs how we wish to be treated and how we treat others; how we communicate, negotiate process information and make decisions. Despite rapid globalization, cultural factors still moderate many aspects of consumer's buying behaviour (Maheswaran and Sharon 2000). The relationship between culture and values manifesting themselves through consumption of products is well-documented, with material goods being important to individuals due to their ability to carry and communicate cultural meaning (Askegaard and Kjeldgaard 2002). That is, over time, values, beliefs and practices of a society are shared by all of its people and these influence individual decision-making. Askegaard and Kjeldgaard

(2002), therefore, state marketers must gain unique dimensions of consumer culture to finalize their strategies relating to segmentation, position and marketing mix. Kumar et al. (1998) also found culture of any country influences the diffusion of products.

Behaviour is thus indirectly influenced by the surroundings a person resides and the persons he interacts with, the lifestyle he/she exhibits (state of being of the person) by modifying his/her beliefs, attitudes, and so on (state of mind).

So, a marketer can develop segments by working backwards from the behaviour and linking it to the state of mind and identifying the state of being variables of these people (Figure 8.1).

The process of segmentation using this framework is discussed using the example of scooterettes market in India.



**Figure 8.1** Segmentation: The decision-making approach

*Source:* Author

## Segmentation Using a Decision-making Approach for Scooterettes

**Evolution of scooterettes:** Cyclemotors evolved into mopeds in mid-1950s. During that time, mid-engined cyclemotors had their petrol tanks moved forward, engine covers were added and a moped was invented. As moped market became competitive, brands introduced speed gears and fast, reliable engines dominated sales. Over a period of time styling innovations were introduced to increase sales, and so moped manufacturers started to copy scooter styling. They added engine covers, leg-shields, running boards,

dual seat, stylish headlights and renamed it as scooterette (The Naked Maicomobil 2007).

## Behaviour

The company manufacturing scooterettes may wish to segment the market on the preference for the different types of two wheelers and then decide to influence the group they wish to target (details of targeting are given later in the chapter).

The company can therefore start by defining the behaviour for purchase of two wheeler and divide the behaviour as:

- Purchase motor cycle
- Purchase moped
- Purchase scooterette

## State of Mind

Why they purchase: Purchase of a specific type of two wheeler could be associated with the image of the two wheelers. Image associated with the product could include:

- Need satisfaction
- Sturdiness of the vehicle
- Cost

## *Need Satisfaction*

People look at two wheelers for satisfaction of different needs.

*Power:* Motor bike has been associated with a macho image and power. Many campaigns have also been advertising with a slogan 'Power is yours'. Research has shown that for young male collegians, a Scooterette served as a surrogate motorcycle—their ultimate dream.

*Rebel need:* Two wheelers are seen as a grudge purchase to denote freedom ('why should only boys have all the pleasure'—a slogan for a brand of scooterettes targeting college girls).

*Aesthetics (status):* Fashionable features appeal to younger generations more than older groups. Companies have come up with youth-centric features like: sleek looks, stylized headlamps, two-tone painting, a sharp beak, stylish teardrop indicators, bright metallic shades, aerodynamic design, international styling with the dual tone panels, chrome-plated exhaust, integrated tail lamp, an attractive pillion grab tail, an under-seat mobile charger and holder, an FM radio and a soft drink holder.

*Comfort:* Some people look for comfort of using the vehicle (Indian dress (dhoti and saree) are not suitable for motorbike). They would be comfortable in a vehicle which provides comfort while getting on and while sitting).

*Safety:* Some buyers give a lot of importance to safety. Companies satisfied these needs by adding technology components such as disc brakes, handle bar vibration dampers, wider and deep tread tyres and more effective chain guards.

*License:* According to Indian Law, 16–18 year old children do not need a license to ride vehicles of capacity below 100cc. This group can ride a 80 cc bike (moped, scooterette) without a license.

### ***Sturdiness of the Vehicle***

*Manoeuvrability:* For some, manoeuvrability is an important element for deciding the two wheeler to buy.

*Easy to drive:* Convenience of a digital ignition is preferred by people who find it difficult to kick-start the two wheeler.

*Easy to handle:* Lighter in weight and better balance (smaller wheels) is preferred by some. Some others prefer convenience of handling in congested

traffic conditions. That is, the rider wishes to concentrate on the road instead of struggling with the switches while riding. So control switches like light, beam controls, horn, electric start, turn indicators and choke are designed for easy operation.

*Load carrying capacity:* Load carrying capacity also plays an important role during purchase, because people still use two wheelers for daily chores (carrying vegetables, grocery items, and so on). Motor bikes can carry heavy loads, whereas 80 cc bikes cannot carry heavy loads. Again within 80 cc bikes, mopeds do not have any storage space, but Scooterettes added compartments to carry books or small quantities of goods (LML Trendy has a lockable glove-box up front under the handlebar. The Honda Activa has space under the seat for books. The Kinetic Honda DX has a Luggage Compartment giving ample space to keep a helmet).

### ***Cost***

*Prices:* Price continues to be an import variable during purchase.

*Easy on fuel and maintenance:* Maintenance and operating cost is also critical for deciding the two wheeler to buy.

### Linking State of Mind to State of Being

The buyers from younger age groups will be keen on new technology. The buyer from the higher age groups and girls will look for a lighter vehicle which is easy to handle (no need to coordinate a number of things like gear-shifts, clutch, throttle and brakes) and has a better balance (small wheels). Again, younger people would prefer vehicle which does not require license.

Using the above information, the following segments and the current products for the segments are given in Table 8.1.

**Table 8.1** Segmentation for two wheelers

<b>Behaviour (usage)</b>	<b>State of Mind (image requirement)</b>	<b>State of Being (segments)</b>	<b>Two Wheeler Preferred</b>
Heavy duty Frequent usage Long distance travel	Power, rebel, status	College-going boys and young executives	Premium motor bike
	Safety, comfort and cost conscious	Office commuters, shopkeepers, delivery boys	Standard motor bikes
License not required	Status	School-going boys and girls	Scooterettes
Light duty Short distance travel	Rebel and status	College-going girls	Scooterettes
	Safety, comfort and cost conscious	Working women	Scooterettes and scooters
Light duty	Cost conscious	Lower level office staff	Mopeds

Source: Author

Refer Box 8.1 for segmentation of mobile phones.

## TARGETING

While segmentation is a process of dividing the market into homogenous groups, targeting is a decision. The marketer has to decide as to which segment to cater. This decision can be aided by the segment attractiveness analysis. Segment attractiveness evaluates the segments using the following parameters:



**Box 8.1** Segmenting and targeting: Mobile phones

Mobile phone market saw the introduction of several new technologies of MMS, browser, digital camera, music and bluetooth technologies. Applying the decision-making approach for segmentation would provide the following inputs.

State of mind (social need): The mobile phones are predominantly seen as a product of social acceptance for youth. Handsets are purchased only if they are socially acceptable.

Utility: The market is highly diversified in terms of their preference for functionality, some prefer music phones, some other prefer other features.

Convenience: Mobile is also seen as a product providing high degree of convenience. Keeping in touch with family, maintaining contact with office work.

The segments based on the above state of mind are given in Table 8.3.

Nokia E series: For those who wish to switch between work and play with ease. 'Attend to your work email, business strategy meetings, corporate presentations or enjoy music, chat with friends, click pictures or explore the city using GPS at your will. Work play or vice versa, do whatever you choose.'

The Motorola MicroTAC International 8700 cellular phone: The company calls it the workaholic and targets the executives who work 'round the clock, day and night, 24 hours, non-stop'.

*Source: Author*

- Market attractiveness
  - o The size of the market and the growth of the segment. Fast-growing segments are more attractive than smaller and slow-growing segments.
  - o Adaptability of market segments. Marketer needs to understand the current behavioural patterns and the possibility of changing the behaviour.
  - o Consumer resources. Marketer needs to find out whether the consumers have the buying capabilities and identify the availability of credit, and so on, which could facilitate purchase.
- Competitive attractiveness
  - o The knowledge of the existence or potential competition in the market segment is important for deciding the target attractiveness.

- o The entry barriers present or likely to be erected would be important for deciding the target market.
- o The impact of the pioneer image on the purchase of the product.
- Channel attractiveness
  - o A segment despite having a good potential and a good competitive advantage may not be ideal if there is no channel or the existing channel cannot be adapted to serve the segment. Therefore, it is essential to understand the existing channel and the extent they are loyal to the existing players.
- Internal attractiveness
  - o A segment is more attractive when the segment's needs can be met by the firm's core competencies. This is identified through environmental analysis.
- Other considerations
  - o Organizational goals.

The different segments should be evaluated on the above parameters to provide information on the segment attractiveness (Table 8.2).

Using the information in Table 8.2, the marketer should make a decision to target the segments ideal for the company. In the above example, though

**Table 8.2** Hypothetical example of segment attractiveness analysis

	Segment 1	Segment 2	Segment 3	Segment 4
Potential size in 2004 (in millions)	2 Rs 187.5	3 Rs 375.0	4 Rs 562.5	4 Rs 562.5
Growth during last year	4 +100%	4 +100%	1 -50%	5 +150%
Price sensitivity	5	3	3.5	3.5
Competitive strength	3	3	4	3
Channel reach	3	5	3	5
Communication reach	2	4	3	4
Capability fit	2	5	5	2
Match with organizational goals	2	4	4	3

*Source:* Author

*Note:* 5 is high and 1 is low

**Table 8.3** Segmentation for mobile phones

	<b>Segment 1</b>	<b>Segment 2</b>	<b>Segment 3</b>	<b>Segment 4</b>
State of Mind	Convenience	Music enthusiasts	Status conscious and official needs	Status
State of Being	Transporters, travel agents, etc.	Youth and young professionals	Middle-aged professionals	Early 20s, high-tech kids
Mobile Option	Simple models	Personal media players ( <i>Nokia E series</i> )	Bluetooth-computer synchronized ( <i>Motorola MicroTAC International 8700 cellular phone</i> )	Sophisticated models

Source: Author

‘Segment 4’ scores high on many parameters, it is not an ideal segment as it scores low on company capability. So, the company should choose ‘Segment 2’ where it scores high on company capability, has a moderate market potential (in comparative terms) and is average to high on other parameters. Segment 2 scores over Segment 3 because of its better channel and communication reach.

Once the segments have been identified, the product should be positioned in the market such that it has a competitive advantage.

## Note

1. Culture refers to a set of values, ideas, artifacts and other meaningful symbols that help individuals to communicate, interpret and evaluate as members of society.



**Positioning**

9



P

ositioning is a strategic decision which would determine the success of marketing. It is a decision of how the company wants to differentiate its products from that of the competitors in the minds of the consumer. So, positioning is more to do with the consumers' perspective and about identifying how the brand is perceived by the target group. This chapter looks at the concept of positioning and develops an understanding of how it should be planned to ensure that the marketing programme is a success.

## CONSUMERS' PERSPECTIVE

Brand positioning is not just what identity and value proposition that is actively communicated to the target audience. Positioning is the specific needs and attributes that the consumer perceives in the brand. Ries and

Trout (1981: 219) stated that 'positioning is thinking in reverse'. They state that instead of taking a company perspective, positioning has to be customer centric. The companies need to understand how the buyers perceive their brands.

So, brand positioning, as perceived by the consumers, may be different from that intended by the company. For instance, research showed that 'services and atmosphere', 'safety and comfort' and 'culture distance' were the significant variables influencing customers' perception in services as against the hard criteria, relationship building factors (personal contact), geographic coverage and degree of integration communicated by the companies (Kalafatis et al. 2000). Ibrahim and Gill (2005) also found that 'services and atmosphere' contributed significantly to the perception of service.

If the difference in what the company is communicating (intended positioning) and what the consumers perceive (the actual positioning) are significantly different, then it could be said that the marketing activity failed. The chapter starts by an example of a positioning based on the company's perspective which was not successful. This would be followed by a decision-making approach to positioning. Finally, the success of marketing is explained using an example where the intended and the actual positioning are similar.

## CASE OF WOODS BRAND

A company perspective to positioning is described by an example of Woods, a sub-brand of Woodlands.

The Woods brand, launched in 1998–1999, marked Woodland's entry into the semi-formal shoes segment as distinct from the casual footwear segment. It has two lines—for men (priced between Rs 1,295 and Rs 1,895) and women (priced between Rs 595 and Rs 1,295). The idea behind

the launch of Woods had been, to first, tap a new segment—semi-formal shoes—and second, exploit the brand loyalty of its core customer base that had grown up with its first offering under the Woodland range and cater to their new needs now that they had grown up into young careerists. Says B. D. Nathani, Vice President, Sales and Marketing,

the Woodland brand had captured the imagination of the youth in 1993 when it was first launched. We realized that this loyal customer base had now grown up and so what they needed was a formal or semi-formal shoe that kept the attributes and value of the Woodland equity, but fulfilled a changed need. (Mukta 2000)

So, the Woods collection was born in 1998–1999, first only for men, followed in October 1999, by a range for women.

According to company sources, the post-launch survey revealed that the brand equity of Woodland has not rubbed off on Woods. While the company's strategy had been to position both brands to target two distinct groups: Woodland for the trendy youth segment with aspirational values and Woods for the young executive, the survey showed that customers had not developed a strong affinity to the sub-brand, which was generally perceived as unrelated to Woodland (Mukta 2000). The Woods brand was subsequently withdrawn.

To avoid such failures, a decision-making approach to positioning is presented below.

## A DECISION-MAKING APPROACH FOR POSITIONING

Positioning should be seen as multistage process wherein each stage is imbedded into the earlier by making micro differentiation.



The stages of positioning are:

- Generic positioning
- Perceived quality/perceived sacrifice positioning
- Attribute positioning
- Emotional positioning

## Generic Positioning

This is the first stage of positioning. This occurs when a new product is introduced. As a new product would be competing with other product categories, the new product should be positioned on functional benefits or consumer needs. That is, to make the new product attractive to the consumer, the product should show that it is satisfying a functional or consumer need better than the competitor. For example, mineral water at its introduction was competing with other sources of water, so it had to position itself as satisfying the need of hygiene and convenience better than the other options (Figure 9.1).

<div> <div>Hygiene</div> <div>Convenience</div> </div>	High	Low
	Bottled mineral water	Municipal water
Low	Aquaguard	Water from other sources

**Figure 9.1** Generic positioning

*Source:* Author

## Perceived Quality/Perceived Sacrifice Positioning

In the introductory phase, the product is differentiated from other product categories. However, as the product starts getting accepted and new brands enter the market, they also would be claiming to satisfy the same set of needs. So, consumers would develop a micro positioning in the above generic positioning matrix to differentiate the products (Figure 9.2).

<div> <div>Hygiene</div> <div>Convenience</div> </div>	High	Low
	Bottled mineral water	Municipal water
High		
Low	Aquaguard	Water from other sources

New positioning matrix

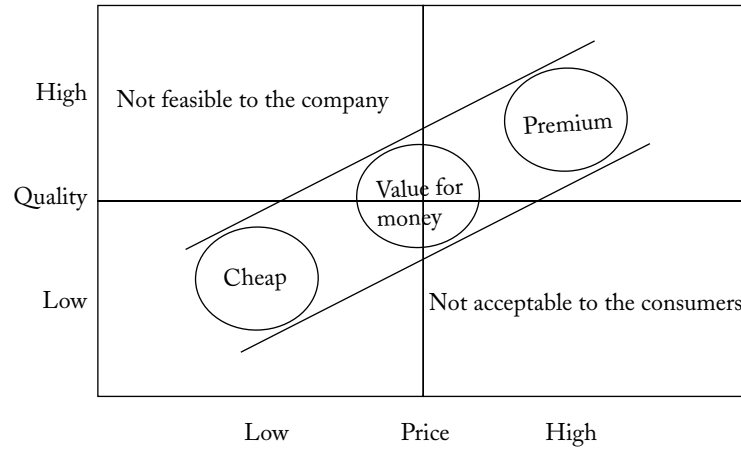
**Figure 9.2** Emergence of a new positioning matrix from the generic positioning

*Source:* Author

In the new positioning matrix, the consumers would evaluate the brands on the perceived benefits (quality) and the perceived sacrifice (price). Refer Figure 9.3.

**Perceived benefits (quality):** Perceived benefits are a combination of different attributes of products (tangible and intangible; intrinsic and extrinsic, and so on), available in relation to a particular buy and use situation. These bundles of attributes together represent a certain level of quality, which therefore provide utility to the customer (Lancaster 1971, in Caruana et al. 2000).

**Perceived sacrifices (price)** are a combination of a nominal price and all other costs of product acquisition and its use (Monroe 1990; Pisnik 2000; Slater and



**Figure 9.3** Quality price positioning matrix

*Source:* Author

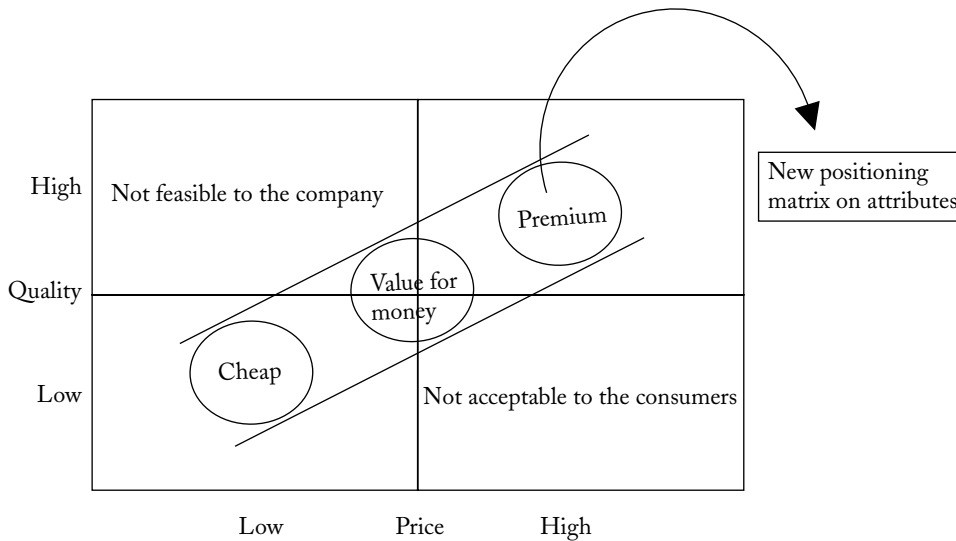
Narver 2000; Ulaga and Chacour 2001; Zeithaml 1988). Zeithaml (1988) states perceived sacrifice includes the costs of search, waiting and all efforts, risks and insecurities connected to an acquisition and use of a product.

The decision of purchase by a consumer would be based on the perceived value, which presents a trade-off between benefits and sacrifices of a brand perceived by customers (Slater and Narver 2000; Snoj and Gabrijan 2000; Ulaga and Chacour 2001; Woodruff et al. 1993; Zeithaml et al. 1996). The consumer would generally place brands into three distinct categories; premium (high perceived benefit and high perceived sacrifice), value for money or cheap brands (low perceived benefit and low sacrifice). For example, in televisions, Sony would be placed as a premium brand and AIWA as a cheap brand (Figure 9.3).

## Attribute Positioning

When several brands are perceived similarly on the quality/price, the consumers need to further differentiate between brands. That is, if few brands

are perceived to be in the premium category (high perceived benefit and high perceived sacrifice), the new positioning would have to differentiate the brands within the premium category (Figure 9.4). This is a further micro-level positioning based on specific attributes.



**Figure 9.4** New positioning matrix embedded in the perceived quality matrix

Source: Author

The attributes on which a consumer differentiates a brand include a combination of both tangible and intangible attributes.

CEAT: Driving your car will never be the same again. India's first next generation radial tyre. Featuring polyester piles bonded with steel belts. To give you a never before grip especially while cornering, braking on wet roads. Absolutely grippiest. Absolutely safest.

The attribute positioning of CEAT is given in Figure 9.5.

Attribute-based positioning for services: Four primary factors have been identified as influencing customer perceptions of services: service encounters

Safety \ Grip	High	Low
	CEAT	
High		
Low		

**Figure 9.5** Attribute-based positioning of CEAT tyres

Source: Author

or ‘moments of truth’, the evidence of service, image and price (Zeithaml and Bitner 1996).

- *Service encounters.* Verbal and non-verbal behaviour of service providers (Bitner et al. 1990, 1994; Grönroos 1990; Zeithaml and Bitner 1996).
- *Evidence of service.* Three major categories of evidence have been identified:
  - o Employees—how they are dressed and their personal appearance.
  - o Process—whether the service is complex, bureaucratic.
  - o Physical evidence—all the tangible aspects of the service, such as reports, equipment, statements, and in some cases the physical facility where the service is offered.
- *Image and reputation.* The set of perceptions reflected in the associations held in the memory of the consumer (Keller 1993). These can be specific (for example, hours of operation, ease of access) or of an intangible nature (for example, trustworthiness, tradition, reliability).
- *Price.* If the price is too low, customers might have doubts about both the ability of the institution to deliver quality and about the actual level of service received.

As competition increases, several competitors would be providing similar attributes and the differentiation between brands would cease to exist, if the companies do not take the positioning to the next level (emotional positioning).

## Emotional Positioning

When physical attributes become similar, there is a need to move predominately to intangible attributes, which would evoke the emotional feeling of an individual during purchase of the brand. Emotional positioning takes into account the fact that consumers look for emotional and social benefits during purchase (Ambler 1997; Bhat and Reddy 1998; Long and Schiffman 2000; Sheth et al. 1991).

Emotional and social benefit describe a particular image that represents how the user of the brand is perceived by others. For example, 'symbol of prestige', 'symbol of success', and so on. Refer Box 9.1 for Green positioning. Automobile manufacturers create a branding strategy which is based on the brand's symbolic meaning as listed below (Shukla 2008):

- Gaining respect
- Gaining popularity
- Noticed by others
- Showing who I am
- Symbol of success
- Symbol of prestige
- Indicates wealth
- Indicates achievement
- Status
- Enhances my image

This is when the brand name becomes a differentiator by itself, leading to loyalty.

Brand as an 'emotional' differentiator: Srinivasan (1979) states that the brand adds a value (utility) of its own, independent from that of the product. Keller (1993) and Park and Srinivasan (1994) also state that the brand name is capable of contributing several types of benefits to the consumer. The major difference between product and brand consists in that a product is 'something that offers a functional benefit' while a brand is 'a name, symbol, design, or mark that enhances the value of a product beyond its

**Box 9.1** Positioning green products

**Positioning: Green Brand**

Positioning a brand as a 'green brand' entails an active communication and differentiation of the brand from its competitors on environmentally sound attributes.

On an attribute level, a green positioning strategy based on functional brand attributes aims to build brand associations by delivering information on environmentally sound product attributes. This positioning strategy should be based on relevant environmental advantages of the product compared to competing conventional products, and may refer to production processes, product use and/or product elimination (Meffert and Kirchgeorg 1993; Peattie 1995). Several studies address the value perception of selected environmental product attributes (Roozen and De Pelsmacker 1998). A car brand, for example, may be considered environmentally sound if the models in question cause significantly lower emissions than competitors.

Green positioning can be based on at least three conceptually different types of emotional level positioning:

- A feeling of well-being associated with acting in an altruistic way (Ritov and Kahnemann 1997). Environmentally conscious consumers experience personal satisfaction by contributing to the improvement of the 'common good' environment.
- Auto-expression benefits through the socially visible consumption of green brands (Belz and Dyllik 1996). Environmentally conscious consumers experience personal satisfaction by exhibiting their environmental consciousness to others.
- Nature-related benefits stemming from sensations and feelings normally experienced through contact with nature. These are the result of a sensation of 'emotional affinity towards nature', for example, 'loving nature' or 'feeling one with nature' (Kals et al. 1999).

It was found that an exclusively functional green brand positioning may fall short of delivering individual benefits to customers. Similarly, a purely emotional green position could lead to weaker attitude effects, caused presumably by a possible misinterpretation of vague green claims (Pickett et al. 1995). Therefore, marketers should deliver emotional benefits through the brand, at the same time making sure that target groups perceive real environmental benefits (attributes). Thus, the most effective brand strategy green positioning strategy would be centred in the creation of emotional benefits sustained by information on environmentally sound functional attributes (Hartmann et al. 2005).

*Source:* Author

functional value' (Farquar 1989: 24). As stated in Chapter 6 (under brand evaluation), consumers 'may recognize the brand name and image association but may not necessarily be familiar with or even consider other aspects of a brand'. Therefore, if the consumer find meaningful symbolic characteristics and their self-concept is congruent with that of the brand's image they would have positive strong feelings towards the brand (Shukla 2008).

## PERCEPTUAL MAP

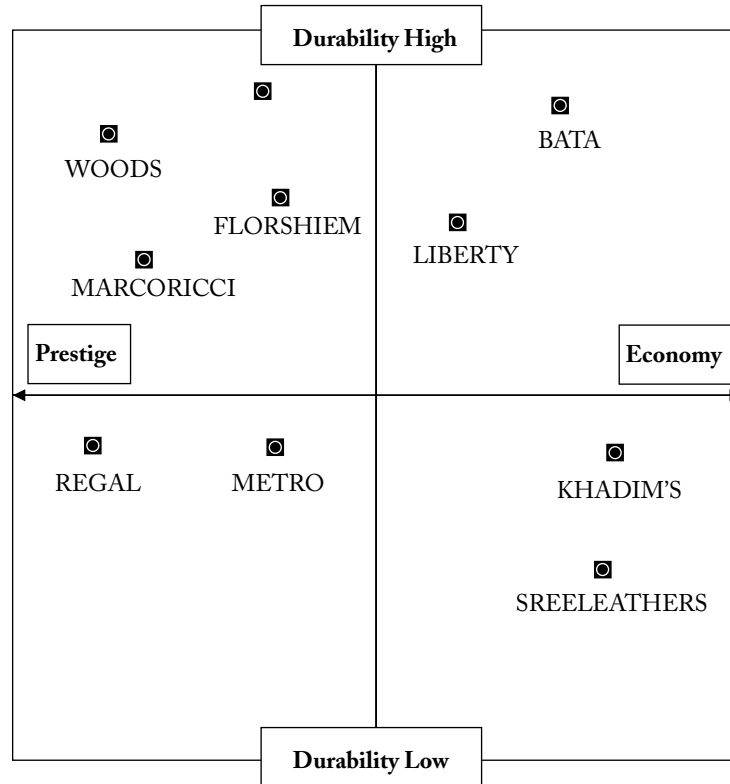
Perceptual mapping is a tool that can be used to give the companies an additional insight into the current position of the company's product vis-à-vis the competition (Figure 9.6). Here the different brands of shoes are plotted on how they are perceived on durability and prestige. It is a technique used by marketers that help them to visually display the relative perceptions (positioning) of competing brands.

The perceptual map denotes the brands perceived similarly by the consumers. This would denote the brands that would be in highest competition with each other. For example, Figure 9.6 indicates that Khadim's and Sreeleathers are perceived similar on the two dimensions of durability and prestige and, therefore, they would be in direct competition. Any strategy of Khadim's would have an impact on the sales of Sreeleathers. On the other hand, Sreeleathers and Woods are perceived differently. So, marketing moves of Woods would not have a major impact on Sreeleathers.

## SUCCESS OF MARKETING

The marketing programme can be said to be successful if the intended positioning and the actual positioning are similar. This is described using an example of Jet Airways.





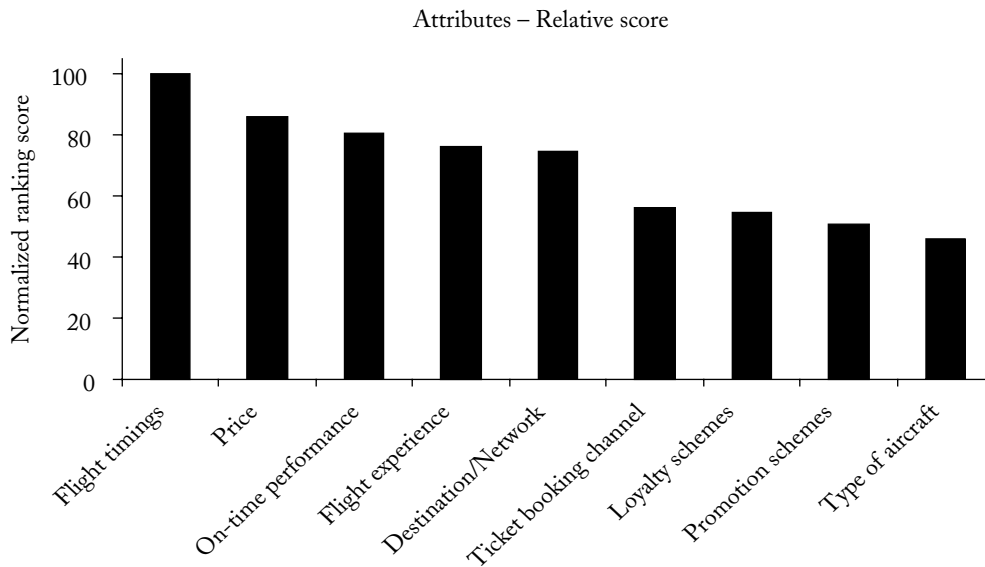
**Figure 9.6** Perceptual map for shoes

Source: Author

## Jet Airways

Jet Airways' strategy in the 1990s was to position itself differently from Indian Airlines, which was then the dominant player in Indian aviation. Indian Airlines had a wide network of destinations across India, a large and varied fleet of aircrafts, the pick of flying slots at airports, and the backing of the national government. Despite these advantages, the airline's performance was far from satisfactory. The staff was indifferent to passengers, and operations were ridden with inordinate delays and cancellations.<sup>1</sup> In

this scenario, Jet Airways positioned itself as an airline which is going to upgrade the concept of domestic airline travel—be a world-class domestic airline. Jet Airways wanted to achieve this pre-eminent position by offering a high quality of service and reliable, comfortable and efficient operations.<sup>2</sup> Over a period of time, air travellers developed a perception of Jet Airways. A study was done to identify this perception (positioning) and see whether the company was successful in keeping its promise (achieve the positioning it intended). The study first identified the attributes important for the travellers (Figure 9.7). Flight timings, price and on-time performance emerged as the top three attributes in terms of ranking.

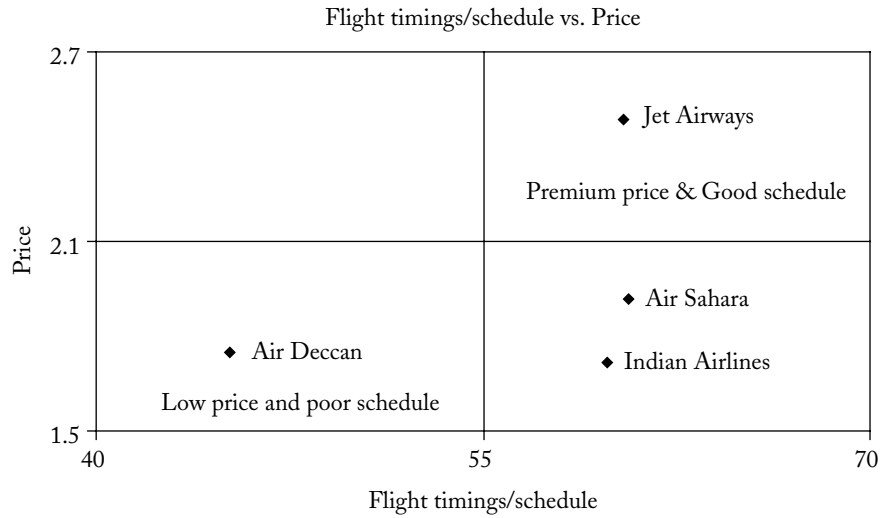


**Figure 9.7** Attributes: Normalized score and ranking

*Source:* Author

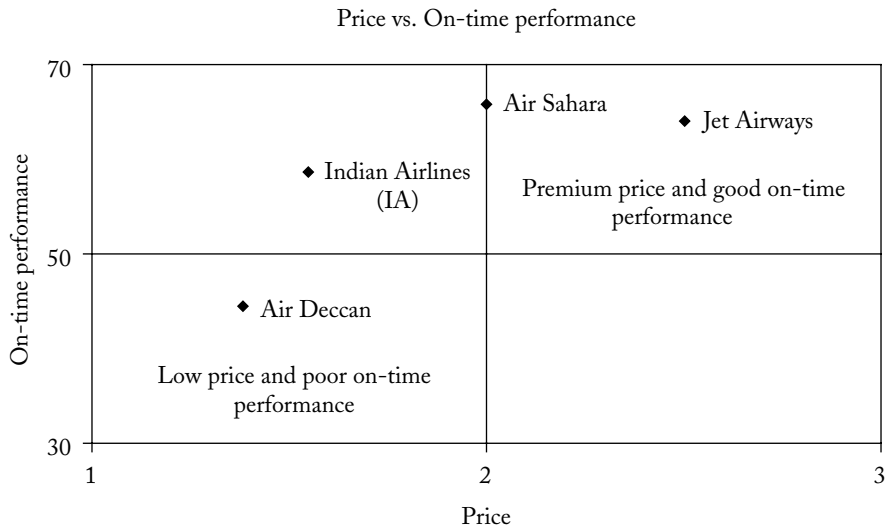
Relative positions of domestic players (names given below) was done on these attributes (Figures 9.8–9.10).

- Air Deccan (now Kingfisher)
- Air Sahara (now Jetlite)



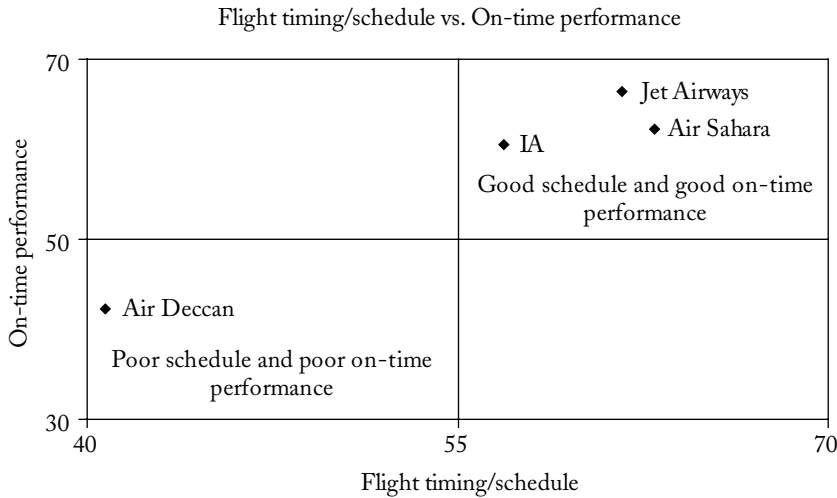
**Figure 9.8** Flight timings/schedule and price perception of domestic airlines

Source: Author



**Figure 9.9** Price and on-time performance perception of domestic airlines

Source: Author



**Figure 9.10** Flight timing/schedule and on-time performance perception of domestic airlines

Source: Author

- Indian Airlines
- Jet Airways

The study showed that Jet Airways was perceived as a premium airlines with good connectivity and good on-time performance.

It can be, therefore, concluded that the marketing programme of Jet Airways has been a success as the gap between the actual and intended positioning is less.

A case study of toothpaste brands identifying the gap between the actual positioning and intended positioning is described in the case study of toothpastes.

Kalafatis et al. (2000) conceive positioning as an iterative process, consisting of deliberate and proactive actions aimed at the definition of distinct consumer perceptions.

The company should therefore take specific actions to maintain their 'position' in the minds of the consumer. The marketing process, integrating the various concepts discussed in the earlier chapters, is described in the next chapter.

## CASE STUDY OF TOOTHPASTE

Toothpaste is also segmented based on product attributes as White, Gel, Herbal, and so on. Some products are also available as a combination of both Whites and Gel.

Price wise, toothpastes can be segmented as economy, regular and value-added segments. The price range varies from Rs 15 to 20 for a 100 gm pack in the economy segment to Rs 30–35 for a 100 gm pack in the Regular Segment to Rs 50 for a 100 gm pack in the medicated/value-added segment.

As per India Infoline Sector report, about 60 per cent of toothpaste in India is sold on family platform; as many households in India use a single toothpaste for the entire family.

About 35 per cent of toothpaste is sold on cosmetic propositions. These are targeted mainly at young consumers and upper urban class on the proposition of fresh breath, white teeth and functional benefits of controlling plaque, preventing cavity, and so on. There is a niche market (5 per cent of total) for toothpaste with therapeutic benefits. Specialized toothpaste such as for children has been available in India only in last 2–3 years (mainly imported products) and usage is extremely low.

Given below are the segmenting, targeting and positioning for some brands of Colgate toothpaste. Later, the intended positioning and actual positioning of various toothpaste brands is graphically shown.

### Colgate Dental Cream

#### Segmentation/Target

When marketing the Dental Cream, Colgate has the whole toothpaste market as its target. Being one of the oldest varieties of Colgate toothpaste,

the Colgate Dental Cream has been marketed as a synonym for toothpaste.

## Positioning

### *Attribute-based Positioning*

Colgate Dental Cream positions itself as toothpaste that has the necessary calcium and minerals to provide decay protection, strong teeth, germ protection and fresher breath. Lately, with competition from indigenous 'vegetarian' toothpastes, Colgate Dental Cream has also positioned itself as an 'always 100 per cent vegetarian' toothpaste.

### *Emotion-based Positioning*

The tagline of its advertisements, 'Trusted by generations to make teeth stronger', clearly aims to position the Dental Cream as a toothpaste that has been used over generations and hence creating a kind of emotional attachment with the toothpaste.

## Colgate Total 12

## Segmentation/Target

Colgate Total 12 claims to provide a 12-hour protection from germs. It also provides a range of technical reasons for its superiority as compared to other

toothpastes. Hence, this variety of Colgate toothpaste is targeted at the educated urban people who brush their teeth twice.

## Positioning

### *Attribute-based Positioning*

Colgate Total 12 has been projected as the 'most advanced toothpaste' that provides 12-hour germ protection by building a protective shield around the teeth. It also tries to position itself higher in terms of reliability of its claims by telling the consumers that its formula is a patented one and the toothpaste is the most recommended one by the dentists.

## Colgate Max Fresh

## Segmentation/Target

Colgate Max Fresh, with its multiple flavours, seems to target the youth. It also associates brands like iPod and sports like Kayaking with it through the means of gifts/prizes which further enforces the belief that Colgate Max Fresh is for the youth.

## Positioning

### *Attribute-based Positioning*

Colgate Max Fresh positions itself on the basis of 'freshness'. The tagline being 'A new dimension of freshness'.

## Colgate Kids Toothpaste

### Segmentation/Target

This variety of toothpaste is clearly, as even the name suggests, targeted at kids. The advertisements and packing of the toothpaste further suggests that it is meant specifically for the smaller kids.

### Positioning

#### ***Attribute-based Positioning***

Colgate Kids Toothpaste positions itself on the basis of taste.

#### ***Emotion-based Positioning***

The Kids Toothpaste tries to position itself based on emotions which is apparent in its tagline 'Makes fighting cavities fun'. It also provides the names of familiar cartoon characters like Tweety and Bugs Bunny to the various flavours that it markets and hence associating the tastes with the feelings of kids towards these cartoon characters.

## Colgate Fresh Energy Gel

### Segmentation/Target

Colgate Fresh Energy Gel is clearly aimed at the youth. Its sleek toothpaste cover and the picture of a young couple on it unambiguously emphasize this point.



## Positioning

### *Attribute-based Positioning*

Colgate Fresh Energy Gel, as the name itself suggests, bases its marketing strategy on the toothpaste providing 'freshness'. It positions itself as a 'gel' (trying to differentiate itself from toothpaste) for fresh breath and strong/white teeth.

### *Emotion-based Positioning*

The emotional positioning of Colgate Fresh Energy Gel is implicit by the way of the photo of the couple on the toothpaste pack and in the advertisements. It obviously wants to strike a chord with the young, and also the young couples of the country.

## Colgate Herbal

## Segmentation/Target

Colgate Herbal targets the traditional and the naturalist market which is apparent from the name as well as the tagline 'Strong teeth, healthy gums, naturally' and the use of squirrel as the central character in its advertisements.

## Positioning

### *Attribute-based Positioning*

Colgate Herbal positions itself based on basically only one attribute, that is, being herbal.

## Colgate Cibaca Family Protection

### Segmentation/Target

As the name itself suggests, this variety of Colgate toothpaste targets families.

### Positioning

#### *Attribute-based Positioning*

The toothpaste positions itself in a very standard way by claiming to provide strong teeth and fresh breath.

#### *Emotion-based Positioning*

The emotion-based positioning of the Cibaca Family Protection is strong as it targets families. Even when harping about its attributes, the advertisement brings in the notion of the family ('Strong teeth, fresh breath for your family') and hence a strong sense of emotional positioning is apparent.

## Colgate Advanced Whitening

### Segmentation/Target

Colgate Advanced Whitening specifically targets people with plaque problems as the toothpaste claims to provide whiter teeth within 14 days.

## Positioning

### *Attribute-based Positioning*

Unique positioning as it is focused on specific attributes like restoring natural whiteness, preventing stains from adhering and fighting plaque.

## Colgate Active Salt

## Segmentation/Target

This variety of toothpaste targets older customers with orthodox thinking who believe that salt is good for teeth.

## Positioning

### *Attribute-based Positioning*

The toothpaste also positions itself alongside the other toothpastes that claim to fight germs and result in healthy gums and teeth with the help of 'active salt'.

### *Emotion-based Positioning*

Colgate Active Salt aims to strike a cord with traditional people who think that salt is good for teeth.

The details of the intended positioning and the actual positioning of different brands of toothpaste are given in Table 9.1.

**Table 9.1** Intended and actual positioning of toothpastes

Intended/Actual Positioning	Attribute Level																		Emotion Based										
	Strong Teeth	Freshness	Protection	Bad Breath	Vegetarian	Long-lasting Effect	Taste/Flavour	Herbal	Gel	Gums	Whiteness	Cost	Tooth Nutrients	Colour	Medical Recognition	Anti-cavity	Flouride	Bad Eating Habits	Patented	Traditional	Indian	Trust	Family Acceptance	Flirt	Cartoon	Fashion	Good Parenting	Cool Image	
Close up Red gel		●							●					●					○										●
Vicco Vajradanti								●				●			○								○						
Meswak	●					○				●					●														
Close Up Lemon Mint		●					●		●																				
Pepsodent Complete 10	●					●										●						○	○						
Close up Milk Calcium	●	●																											
Amar regular toothpaste			○		●								●																
Amar white toothpaste	○				●		●			○			●																
Colgate Dental Cream	●			●	○	○				○					○		○				○	●							
Amar strong toothpaste							●					●																	
Pepsodent G		○														●													
Pepsodent 2 in 1	●	●	●				●		●						○							○							
Colgate Fresh Energy Gel	●	●		●		○			●		○								○			○	○	●					
Colgate Cibaca Family Protection												○											●						
Pepsodent Regular	●	○		○									○																
Colgate Total 12	○	○		○		●	○			○	○				●		○					○							
Amar strong sachets												●																	
Pepsodent Center Fresh		●							●																				
Colgate Active Salt	●	○		○		○				●						○						○	○						
Colgate Kids Toothpaste							●																			●			
Pepsodent Whitening		○				○					●																		
Colgate Max Fresh		●		○		○		●														○							
Colgate Herbal															○		○		○			○							
Colgate Advanced Whitening								○														○							

○

Shows actual positioning

●

Shows intended positioning



Shows actual positioning



Shows intended positioning

Source: Business management students of XLRI (2008–2010) under the guidance of the author

From Table 9.1 it is clear that there is a difference between what the companies want to project and what the consumers perceive, so there is a need to define their positioning strategies.

## Notes

1. icmrindia.org, 'Jet Airways' Strategy, Operations and Competitive Position,' [http://www.icmrindia.org/casestudies/catalogue/Business%20Strategy/Jet%20Airways%20Strategy-Operations-Competitive%20Position-excerpts.htm#Jet\\_Airways\\_Strategy\\_and\\_Operations](http://www.icmrindia.org/casestudies/catalogue/Business%20Strategy/Jet%20Airways%20Strategy-Operations-Competitive%20Position-excerpts.htm#Jet_Airways_Strategy_and_Operations) (accessed 13 May 2009).
2. globetravels.com, 'Jet Airways,' [http://www.globetravels.com/content/Airlines/Jet\\_Airways/Jet\\_Airways.htm](http://www.globetravels.com/content/Airlines/Jet_Airways/Jet_Airways.htm) (accessed 13 May 2009).



# **Marketing Planning Process**

# 10



We are entering the second phase of marketing in India, for the first time we are witnessing a situation in some categories where penetration would reach near 100% or exceed it. Till now we have been working on marketing strategies to increase penetration, getting the first time users to try out offerings versus a situation where you have to either increase the usage of the product or a service in a well established market. This is where maybe we will see the true meaning of the statement 'Customer is the King'.

Taking the example of what is happening in the mobile phone market, in most of the metro markets the penetration levels are reaching 80% and in some markets like Chennai the figure has exceeded 100%. So what does it mean for new operators like Aircel, and Virgin Mobile when it enters a market where the category penetration is so high. There would be two ways of gaining market share, first and more difficult option would be to try and attract users from established players or second way is to encourage users to go for another mobile.

To push consumers to switch their operators would involve a different set of marketing strategies versus the ones which are used to increase the penetration in a particular category. May be this is what we can see from the approach that both Virgin and Aircel are using, by focusing on value added services and non-typical offerings like paying for incoming calls. But this is just the beginning and we will see the manifestation of this change in the coming few years...(Aithal 2009)



**T**his chapter discusses how companies should plan their marketing programmes to remain market oriented.

## MARKET ORIENTATION

Market orientation is concerned with the processes and activities associated with creating and satisfying customers by continually assessing their needs and wants, and doing so in a way that there is a demonstrable and measurable impact on business performance (Uncles 2000). At an operational level, Narver and Slater (1990) propose that market orientation comprises three behavioural components—customer orientation, competitor orientation and inter-functional coordination—and two decision criteria—long-term focus and profitability. Kohli and Jaworski (1990), on the other hand, define market orientation as responsiveness to information concerning customers and/or competitors, and its effective generation and dissemination. That is, it should remain in constant touch with its customers, competitors, other stakeholders and the broad environment in which it operates, and should formulate an organization-wide response to any development (Aggarwal and Singh 2004).

The process of building market-oriented strategies should, therefore, take into account all the marketing information about the consumers, competition and other environmental variables discussed in the earlier chapter. This chapter starts by looking at the differences in the consumer behaviour and integrates them with the positioning decisions taking into account the competitors' information and marketing environment information.

Chapter 6 described different types of decision processes. The processes varied from picking (low involvement) to problem solving (high involvement). The factors differentiating these purchase processes are given in Table 10.1.

The factors influencing decisions can be classified as product-related variables (differences between brands), environmental variables (legal requirements) and individual variables (indifference to brands, powerful and sudden urge, boredom, knowledge about product category, importance of purchase). The product-related factors are influenced by the technological environment and competition (would determine the differences between brands).

Purchases made due to influence of individual variables indicate the risk associated with purchase (importance of purchase and knowledge of product category tending to high risk and indifference to brands and powerful and sudden urge tending to low risk). If risk is high, a consumer would not try new brands, if risk is low, a consumer would not mind trying new brands.

**Table 10.1** Factors influencing the brand decision process

S. No.	Factors Influencing Decisions
1 Picking	Indifference to brands. No difference between brands
2 Impulse	Differences between brands. Powerful and sudden urge
3 Variety seeking	Low involvement, differences between brands, boredom, look for change
4 Legalistic	Legal norms
5 Subcontract	No knowledge about product, no time. Purchase critical
6 Extended problem solving	Complex products. Important purchase. High differences between brands
7 Heuristics	Time constraint. Task complexity. High differences between brands
8 Habitual buying	Repetitive purchase and continued reinforcement

Source: Author

So, a brand decision can be said to be influenced by (a) the uncertainty of using untried brands (the degree to which consumers perceive a risk to use an untried brand), and (b) the differences between brands.

Using the individual factor (uncertainty of using untried brands) and the product factor (differences between brands), a 2×2 matrix is developed to classify the product categories (Table 10.2). The buying behaviour (as described in Chapter 6) exhibited in different quadrants is also given in Table 10.2. Products like unleaded petrol would fall into the quadrant of low differences between brands and low uncertainty of untried brands as there is a low risk of shifting from one brand of petrol to another.<sup>1</sup> So, the buyers would be exhibiting picking behaviour (that is, they would be indifferent to the brands and would purchase any brand). Soaps would fall into the category of high differences between brands but low uncertainty with untried brands (low risk associated with shifting from one brand to another). Buyers in this situation would be exhibiting a variety-seeking behaviour.

Products like cars would have high differences between brands and would also be associated with high uncertainty of using untried brands.

**Table 10.2** Product characteristics and decision process

<b>Product Characteristics</b>	<b>Low Involvement of Untried Brands</b>	<b>High Involvement of Untried Brands</b>
<i>Low differences between brands</i> (catering to a market segment)	E.g.: Salt, petrol Buying behaviour: Picking (consumer is indifferent to the brands)	E.g.: Baby food, vehicle spares Buying behaviour: Habit (brand loyalty)
<i>High differences between brands</i> (catering to a market segment)	E.g.: Soaps Buying behaviour: Variety seeking	E.g.: Cars Buying behaviour: Problem solving or subcontracted (if the buyer is not knowledgeable about the product category)

Source: Author

The buyers purchasing products with high differences between brands and high uncertainty of untried brands would be exhibiting a problem solving behaviour (in case the consumer is knowledgeable about the product category, otherwise the buyer would have to resort to a subcontracted decision process, where someone else makes the decision for him). Products like baby foods would fall in the category of low differences between brands but having a high uncertainty of using untried brands. The buyers in this situation would not shift from one brand to another and would tend to be habitual buyers.

Since competition would aim at reducing differences between brands by incorporating the new attributes in their brands, the only way companies can retain their customer base would be to increase the uncertainty of using untried brands. That is, the quadrant that a company should ideally aim to reach in a long run is the top right-hand quadrant in the matrix given in Table 10.2 by increasing the 'risk associated with shifting to another brand' (that is, make customers loyal to a brand).

The process of shifting a brand to the habitual behaviour is discussed in the next part of the chapter by first providing a theoretical background and then linking it to the marketing planning process.

## THEORETICAL BACKGROUND

### Risk Perception and Involvement

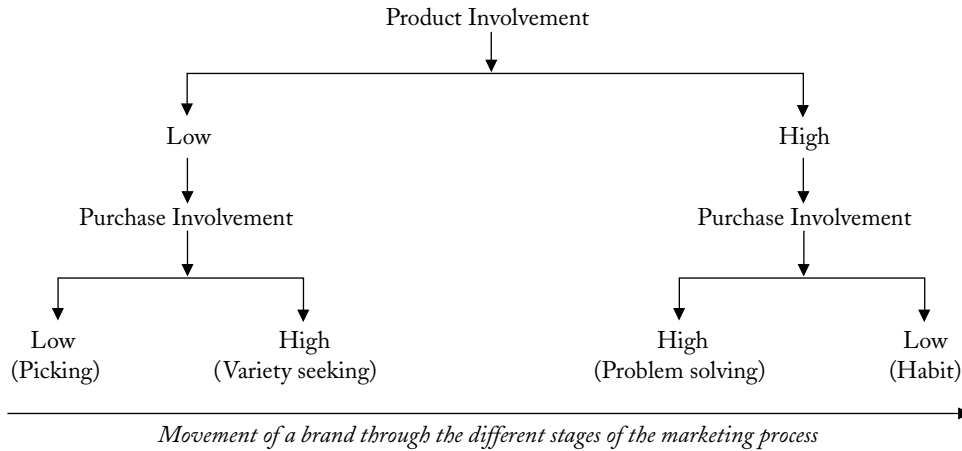
A considerable amount of research has examined the relationship between product involvement and consumer risk perception (Dholakia 2001). First, risk and involvement both incorporate the notion of 'importance' of a product class to the consumer (Bloch and Richins 1983). 'Involvement is

the level of perceived importance and/or interest evoked by a stimulus (or stimuli) within a specific situation' (Antil 1983: 204). Therefore, involvement increases by the interaction between an individual (consumer) and the product (Park et al. 1989). Krugman (1965) found low involvement was characterized by a lack of personal involvement while high involvement was characterized by a high degree of personal involvement.

## Product Involvement and Purchase Involvement

Product involvement involves an ongoing commitment on the part of the consumer with regard to thoughts, feelings and behavioural response to a product category (Gordon et al. 1998; Miller and Marks 1996). Product involvement is independent of situational influences (Miller and Marks 1996; Rodgers and Schneider 1993). Richins and Bloch (1986) note that consumers with high product involvement would find the product(s) interesting and this would occupy the consumers' thoughts even without the stimulus of an immediate purchase (time utility: can wait for the product). Such interest in the product category may arise from the consumers' perception that the product class meets important values and goals (Quester and Lim 2003). Product involvement reflects the perceived relevance of the product category to the individual on an ongoing basis.

Product involvement differs from purchase involvement. Purchase involvement can be seen as the relevance of the purchasing activities to the individual (Slama and Tashchian 1985). An individual may have a rather low level of involvement with a product category (for example, FMCG product), but a high level of purchase involvement, possibly because of the desire to impress a friend or to save money (Quester and Lim 2003), that is, the consumer is exhibiting variety, seeking behaviour. The classification of product and purchase involvement is summarized in Figure 10.1.



**Figure 10.1** Product involvement v/s purchase involvement

Source: Author

Long-term marketing should aim at product involvement and not purchase involvement. Engel and Light (1968) suggest 'marketing should aim at increasing the importance of the product class by associating a product class to a person's self-concept, values and motives'.

## Product Involvement and Brand Loyalty

High involvement has been suggested as a precondition to loyalty. Increasing involvement in product to convert customers to loyal customers is supported by research. It is argued that the cognitive definition of brand loyalty represents commitment and therefore involvement with the brand. The general convention in the literature appears to be that one's involvement in a product class is directly related to one's commitment (or loyalty) to a brand within that product class (Quester and Lim 2003).

## MARKETING STRATEGY AS A PROCESS OF INCREASING PRODUCT INVOLVEMENT

As seen earlier, the objective of marketing strategy should be to change the behaviour of the consumers to habit. However, this process would be gradual and has to go through a series of stages for customer loyalty to be sustainable. The process should start first by increasing purchase involvement, later increase the product involvement along with purchase involvement leading to problem-solving behaviour. Subsequently, marketing activities should ensure that the product involvement remains high but the purchase involvement reduces (shifting the consumer to habitual behaviour). The movement of the product through the marketing process (Figure 10.1) is discussed below.

### Process of Increasing Purchase Involvement

Brand differentiation along with a certain amount of excitement during purchase would be the starting point for increasing purchase involvement. Here, brand differentiation should start by adding physical attributes (attractive packing). Excitement could be created by making it necessary for some information search during purchase (price variations). Differentiation and excitement could convert the buying to a variety-seeking behaviour (high purchase involvement).

### Process of Increasing Product Involvement

Perception of risk associated with purchasing untried brand increases the importance of the product class. Perceived risk is a two-dimensional

construct comprising the uncertainty involved in a purchase decision and the consequences of taking an unfavourable action (Bettman 1973; Cunningham 1967; Schiffman 1972). Five different risk dimensions identified by Jacoby and Kaplan (1972) are:

- Financial risk
  - *Pulsar Air Circuit Breaker*: 'In installations involving high currents safety is measured in milliseconds. Which is why, we recommend the Pulsar ACB. Through a direct-acting mechanism, it trips faster than most others. And keeps your precious equipment absolutely, positively safe.'
- Performance risk
  - Samsung introduces the Video CD player. 'Because a bad video print can kill a really great film.'
- Physical risk
  - *CEAT*: Master the Road safely. 'To give you a never before grip especially while cornering, braking and on wet roads.'
- Social risk
  - *Clinic All Clear shampoo*: 'Dare to wear Black.'
- Psychological risk
  - *Sugar Free*: 'Excess calories can lead to weight gain and cause health risks. Switching to Sugar Free can help you cut down or control your daily calorie intake and prevent lifestyle diseases like obesity, cholesterol problems, diabetes, cardiovascular diseases.'
  - *Pepsodent*: 'Have you passed the Germi test?'

These can be broadly classified under two groups; product performance (covering performance and physical risk) and social risk (covering social and psychological). Price could impact both product performance risk by determining the value lost and social risk by the social ridicule.

After the initial phase of increasing purchase involvement, the company has to increase product involvement by increasing the uncertainty of using



untried brands by increasing the importance of the attributes so that they get associated with the product performance (technical criteria<sup>2</sup>) or social acceptance (integrative criteria), thereby increasing the risk of changing from one brand to another (for example, lubricant companies emphasizing hassle-free driving).

The above process of increasing the purchase involvement and subsequently product involvement would involve changing the attributes consumers use for evaluation during purchase. The types of attributes that need to be used by companies for increasing purchase involvement and product involvement are discussed below.

## INVOLVEMENT AND ATTRIBUTES USED BY CONSUMER

Consumers evaluate brands using three types of attributes, namely, search attributes, experience attributes and credence attributes.

Search attributes are ones that can be verified prior to purchase through direct inspection. Experience attributes are ones that can be verified only after use of the product (Ford et al. 1990). Credence attributes are ones that are difficult to verify even after use (Darby and Karni 1973). Products may have one, two or all three of those types of attributes. For example, in the case of mouthwash, a search attribute would be colour, an experience attribute would be taste and a credence attribute would be plaque reduction (Srinivas and Till 2002).

### Increasing Purchase Involvement

In the case of search attributes (such as colour), consumers are able to inspect the product and draw inferences about the attribute before actually

purchasing the product, and consumers are least sceptical of search claims (Ford et al. 1990). Hence, consumers are most likely to revise their cognitive framework during purchase (Srinivas and Till 2002) and therefore, the risk associated with product (product involvement) would be less (these products would have a low uncertainty of using untried brands). Purchase involvement could, however, be high with search attributes because of (a) the product differences and (b) sales promotion and consumer schemes (Srinivasan and Till 2002).

## Increasing Purchase and Product Involvement

Experience attributes, as they can be evaluated only after consumption, would require a lot of information gathering before purchase. Since the outcome (consumer satisfaction) is uncertain before purchase, the uncertainty of untried brands could be high. The motivation to acquire and process information about the product is high (Engel et al. 1993) and, therefore, product involvement would be high. Fuel efficiency and maintenance cost would be significant attributes during purchase of cars. These are experience attributes. The consumers would have considerable difficulty in assessing these attributes before purchasing, so the buyer has to gather information from credible sources and evaluate the brands.

## Reducing Purchase Involvement while Retaining Product Involvement

Since store can be an information source with high credibility, the store can create or change the attitudes towards a brand (refer store loyalty section in Chapter 6). That is, the consumer would be high on purchase involvement and product involvement when exhibiting problem-solving behaviour. This would be a critical stage for the marketer. If the brand is not moved from

this stage, the store involvement (purchase involvement) may dominate. If the purchase is for a complex product, it may end up as a subcontracted decision process or variety-seeking behaviour (if the product is not complex, information from word-of-mouth publicity would reduce the uncertainty of using untried brands). The company should, therefore, focus on shifting the brand to the habitual stage by focusing on the credence attributes. This would retain the product involvement, but reduce the purchase involvement (as information seeking in the store would be minimized). Mitra et al. (1999) found that credence services are associated with higher levels of perceived risk arising from lower levels of pre-purchase knowledge. They indicate that not only do consumers perceive a higher degree of financial and performance risk, but also a higher level of social and psychological risk when buying a credence service. The companies should, therefore, focus on developing credence attributes for retaining the product involvement, but reduce the purchase involvement, for example, Saffola emphasizing on heart protection (Box 10.1).

Once a brand is moved to the credence attribute stage, consumers would not be in a position to evaluate credence attributes fully even after

**Box 10.1** Saffola the ‘healthy oil’

Saffola cooking oil’s campaign is built around a study conducted by the Saffola Healthy Heart Foundation, which has found that every fourth adult Indian may be at risk of heart problems. The marketing plan focused on urging people to adopt a healthy lifestyle by using Saffola.

The marketing plan started with the company’s advertisement that shows a little girl walking up to people and offering a heart-shaped balloon. In every frame of the advertisement, there were four adults and the child offers the balloon just to one of them, thus driving home the point that every fourth adult Indian may be at risk of a heart problem. The campaign underlines the message ‘you may be at risk from a heart problem. Improve your lifestyle today’—(‘Aaj Se Jeene Ka Andaaz Sudhariye’).

*Source:* Author

consumption. Hence, in the absence of any other cues, consumers are likely to base inferences about credence attribute performance on the brand name (Srinivasan and Till 2002). That is, over a period of time, the consumers would develop a degree of trust on the brand.

## EXPERIENCE ATTRIBUTES: FOUNDATION TO MARKETING PROGRAMME

The process of marketing is time consuming and has to go through the above stages. As seen, credence attribute is predominantly based on trust. And this trust can be built only over time and after people have some basis of building that trust (some experiences). Therefore, the stage of attribute-based positioning (with experience attributes) would form the foundation for any long-term brand-building activity.

As Mitra et al. (1999) state, credence-based service could highlight information about the qualifications, experience and expertise of the people delivering the service or use outside endorsements, licenses and titles. However, since customers would endorse the product only if they are satisfied, a credence-based service provider must initially concentrate on quality, reliability and durability—experience attributes which seek to reduce the degree of perceived risk in a purchase. This could stimulate positive word-of-mouth communication from satisfied consumers (essential for trust-building activities). For example, Johnson and Johnson emphasizing ‘50 years of no more tears campaign’.

Moreover, even if a competitor challenges a credence attribute, the company should be able to fall back on its experience attribute to renew the confidence of its customers.

## THE FRAMEWORK FOR MARKETING PLANNING PROCESS

Integrating the perceived risk concept into the 2×2 matrix developed in Table 10.2, it could be said that consumers buying low involvement products are evaluating the product predominately on the search attributes (Table 10.3). Products in the high involvement category are evaluated by experience attributes (when differences in brands are high) and by credence attributes when the differences between the brands are low (in this case, the consumers associate intangibles with the brand name). The level of product/purchase involvement under different situations is also indicated in Table 10.3.

**Table 10.3** Attributes on which products are evaluated

	<b>Low Uncertainty of Untried Brands</b>	<b>High Uncertainty of Untried Brands</b>
Low differences between brands	Search attribute of convenience. Product involvement and purchase involvement are low.	Credence attributes. Product involvement is high, but purchase involvement is less.
High differences between brands	Search attribute of price/quantity. Involvement in product low, but purchase involvement could be high.	Experience attributes. Product and purchase involvement are high.

*Source:* Author

The marketing process, therefore, requires companies to promote the appropriate attributes and change the way the consumers evaluate the brand and move the consumers from one quadrant to another as shown in Table 10.4.

**Table 10.4** Role of marketing planning process

	<b>Low Uncertainty of Untried Brands</b>	<b>High Uncertainty of Untried Brands</b>
Low differences between brands	Introduce attribute and shift downwards	Emotional positioning E.g.: Saffola: Protects the benefit (attribute)-based positioning
High differences between brands	Increases importance of attribute and shift to high uncertainty quadrant E.g.: Promise: Clove Oil	E.g.: Quality and service

Source: Author

## SUMMARY OF THE MARKETING PROGRAMME

Brands in the picking behaviour need to differentiate their brands so that they move to the variety-seeking behaviour thereby increasing purchase involvement. Once the brands are differentiated, the company should start increasing the importance of the attribute by increasing the risk associated with the product, either by increasing the product performance risk or social acceptance risk. This will lead to attribute-based positioning as discussed in Chapter 9. In this way, products could be shifted to the problem-solving category where the consumers collect and evaluate information (Srinivasan and Till 2002). When the buyer is not knowledgeable and adopts a subcontracted decision, he may reduce the risk by choosing a reliable shop keeper. Even during the problem-solving stage, the role of the store, as a credible source of information, is high. As Dodge and Summers (2004) mention, the importance placed on the customer's familiarity with the store will depend upon the perceived risk in making an erroneous purchase and the importance of the product category (that is, at this stage, it could have high purchase and product involvement).

The problem solving or a subcontracted decision process could be modified by shifting to emotional positioning (by building on credence attributes and reducing purchase involvement but retaining product involvement). This would shift the brand to the top right-hand quadrant of habitual behaviour (Table 10.4).

This process is long drawn and all the marketing activities should be directed towards this goal.

## Notes

1. Examples are based on the commonly exhibited behaviour of Indian consumers. Variations of behaviour are seen as marketing is influencing consumers. For example, now some consumers purchase a specific grade of petrol, some others are even loyal to a specific brand. The process by which companies shift consumers across quadrants would be the process of marketing (discussed in the later part of the chapter).
2. Refer Chapter 6.

# Appendix 1

## Indian Consumer

It would be difficult to discuss all the aspects of the Indian consumer in this book. Here, three implications for marketing are discussed based on the buying behaviour of Indians.

### COLLECTIVISM OF INDIANS

Culture is considered as the most important determinant of a person's wants and behaviour (Kotler 1999) and it affects the diffusion rate of a product in a society.

Indian culture, in general, places emphasis on collectivism (Das 1993) while Western culture emphasizes individualism (Schutte 2001). Collectivism expects group conformity in a person whereas individualism encourages the person to be assertive and self-assured. That is, social class and reference groups influence the consumers' wants more in a collectivist society than in an individualistic society.



Traditional theory of diffusion, which has primarily been developed in the context of the Western society, assumes that the diffusion process of a new product approximates a bell-shaped curve (Rogers 1983). However, in India, once the innovators start using a new product, other groups of consumers quickly follow suit to avoid the discomfort of being left out. Consequently, the diffusion process can be represented by a curve which is asymmetrical with people falling under the categories of innovators, early adopters and early majority being more in number than those who comprise the remaining categories of consumers. Indeed, rapid popularity of foreign goods among the high-income earners and teenagers in India, in the post-liberalization era, bears testimony to this skewed diffusion process. Such asymmetric diffusion implies that a first mover attains critical sales before any other competitor in an emerging economy (Rahman and Bhattacharyya 2003).

## BRAND IMAGE

Venkatesh and Swamy (1994) state that the religious icons of Hinduism have made Indians to be semiotically oriented. Johansson (1997) states that brand names generally have a higher symbolic meaning in more collectivist societies like India. Therefore, Indians respond to the iconic images of brands.

## PRICE VERSUS QUALITY

As seen above and as stated by Sahay and Walsham (1997), brand image adds particular value in India. Indians are, however, savers with a savings rate of 22 per cent (McBride 2000: C27). As a consequence, while Indians

are embracing brands, they are shying away from price. Varma (1998: 180–181) cites a study published in *Outlook* (23 July 1997) which reported that Indian consumers have ‘a very strong price-value consciousness’.

The point is that getting a cheap price is not just a preference of Indians, nor is it simply a necessity based on their limited incomes; it is instead a virtue. Just as consumption gains legitimacy from Nehruvian ideals of progress, austerity gains credence from the Gandhian tradition of asceticism. An Indian television manufacturer stated that ‘decades of Gandhian simplicity have instilled an almost puritanical sense of “value” in the country’. A wise and prudent shopper is held in high regard (Maxwell 2001).

It appears that Indians value consumption, but they also want to be prudent shoppers. The managerial solution, however, is not simply to offer them a cheap price (Maxwell 2001). They evidently value asceticism and hedonism, prudence and materialism. These conflicting values make it particularly difficult for marketers to understand the Indian consumer. It also makes it difficult to convince Indians of the value of a purchase.

Maxwell (2001) suggests that marketers need to simultaneously convince Indian consumers of standardized brand quality and respond to their desire for prudent buying behaviour by alleviating any potential guilt feelings associated with spending money.



# Appendix 2

## Country of Origin: A Surrogate for Quality

Following the economic liberalization in recent years, consumer products from many countries are now competing with each other. The consumers are found to hold distinctly different views of products from different countries in terms of quality, value, image, promotion and availability (Bandyopadhyay 2001). The 'made in Japan' label stands for high quality, excellent workmanship and innovative products (Lampert and Jaffe 1998). Batra et al. (2000) found that brands from a developed country (UK) are perceived to be superior and preferred to those from a less than developed country (India).

The country-of-origin (COO) effect for a new brand in a new country has a similar role to family branding where the COO's image is generalized to the new brand. According to Wang and Lamb (1983), COO effects help enter new markets.

## COUNTRY OF ORIGIN

COO has been defined to include a buyer's evaluative reaction to the country of manufacture of products. It is described as an extrinsic product cue that is distinct from a physical product characteristic or intrinsic attribute (Han and Terpstra 1988; White and Cundiff 1978). Studies have shown that consumers around the world use COO as an attribute in product evaluation (Supanvanij and Amine 2000).

When consumers are not familiar with a new product, the country image acts as a 'halo' that directly affects consumers' beliefs about these products and indirectly affects the overall evaluation of them through these beliefs (Erickson et al. 1984). Maheswaran (1994) suggests that COO is used in product evaluation as a stereotyping process that allows consumers to predict the likelihood of a product manufactured in a certain country having certain features; generally, consumers will evaluate a product more favourably if it has a favourable COO.

This stereotyping process affects product evaluation in three ways (Hong and Wyer 1989; Li and Monroe 1992). First, COO acts as a signal; consumers have prior perceptions of the general quality of products from a particular country and they use these perceptions to infer the ratings of product cues (for example, quality, reliability) of a new brand from that country and form an overall product evaluation. Second, COO can be an independent cue, used along with other cues for product evaluation. Third, COO can be used as a heuristic to simplify the product evaluation process, even though other available product cues may be more useful.

Ahmed et al. (2002) found that COO influences consumer perceptions; as a purchasing cue for quality indication, as a symbolic and emotional attachment to consumer and as a match with consumer's social and personal norms.

It was found that more knowledgeable consumers were more sensitive to a product's COO than less knowledgeable consumers. This suggests that marketers who target more knowledgeable consumers should make use of a favourable product-country image to position a new product (Schaefer 1997).

## COO—Is it Product Specific?

Some authors consider COO as an overall perception of a country (Nagashima 1977; Wall and Heslop 1986) without reference to product line. There is, however, evidence that COO is contingent on a specific product line (Cattin et al. 1982; Eroglu and Machleit 1988; Gaedeke 1973; Han and Terpstra 1988; Heslop et al. 1987; Wang 1978). The country's image may be shared by one or several types of product, but not by all product categories. Thus, perfume, fashions and wine made in France have a positive image but cars, television and high technology products have a less positive image. Furthermore, a given country's products may have varying images across countries. For example, Japanese-made technical products have a more positive image in the USA than in Europe (Bilkey and Nes 1982). Lampert and Jafee (1998) state that the COO effect is both product category and country specific.

## COO—Variations Across Product Types

Since COO is product specific, it would be important to understand the type of products which are influenced by COO.

COO does play a role in consumers' evaluation of low-involvement products but its effect is weak, which can be attributed to the characteristics of the products (evaluated by search attributes). For this product category, the purchase decision is of minor importance, so consumers tend to pay less attention to cues such as COO<sup>1</sup> (Ahmed et al. 2004). On the other hand, Lin and Chen (2006) found with increase in product involvement level, COO image would cause a significantly positive influence on consumer purchase intention.

Given the significance of COO, Baker and Currie (1993) suggested that the COO concept should be considered as a fifth element of the marketing mix along with product, price, promotion and place.

## COO—Influence on Indian Consumer

Imported brands in India have gained a special mystique because the import of goods was severely restricted until 1991. The few imports that did enter India nevertheless 'created a powerful image among the upper middle to upper classes that foreign goods were exotic, showy and better than Indian-made products' (Bullis 1997: 64). So, Indians developed a more positive attitude towards foreign brands (Maxwell 2001).

Kinra (2006) found foreign brands to be perceived more reliable and safe by Indian consumers than their domestic brands. Her study found that consumers gave high ratings to 'technology' and 'quality' parameters for foreign brand names. She concluded that brand made in a developed country like the US or Germany had a greater chance of positive brand image perceptions. In contrast, the strongest point that Indian brands had in their favour was their 'value for money' while their major weakness was their lower 'status and esteem' value.

Thus, in consumer buying process COO plays a significant role.

## Note

1. Maybe because low involvement products are evaluated by search attributes which can be judged before purchase.

# Appendix 3

## Do Consumer Loyalty Programmes Build Loyalty?

### LOYALTY PROGRAMMES

Many argue that the use of the word 'loyalty' in loyalty programmes is debatable. Some prefer to use the term 'spurious loyalty', in that any pattern of buying under loyalty programmes is likely to result from the recurrence of contingent factors (Mellens et al. 1996). It is pointed out that if the contingent factors are removed, buying may change. Similarly, it is argued that many consumers do not distinguish between loyalty campaigns and other forms of sales promotions. Despite the fact that all schemes do not build loyalty, they still serve some objective for the companies. The types of schemes and the possible objectives of the company are described below:

- Loyalty programmes are schemes offering delayed, accumulating economic benefits to consumers who buy the brand. Usually this takes the form of points that



can be exchanged for gifts, free products or aspirational rewards such as air miles. The objective behind these programmes could be:

- o Distributing gains: Some of these programmes could be viewed as a form of indirect price cut given to one segment of customers but is ultimately paid by all customers.
- o Unutilized capacity: Programmes that offer air miles as their reward could be viewed as the outcome of airlines wanting to sell excess capacity.
- o 'Me-too' pressure: A third major factor is the me-too pressure (to follow others) who have offered such schemes.
- Affinity programmes are another type of loyalty programme. They are designed to enhance the emotional bond between customer and brand. Mechanisms are set up to enhance two-way communication in order for the customer to get to know the brand (or company that stands behind it) better, and for the company to learn more about the customer. No direct economic benefit is offered to the customer. Examples include telephone help lines, club memberships, newsletters, Web site 'chat' groups and so on.
  - o These programmes could provide information to the buyers and build credibility of the company as a source of information. This is especially important when a store is perceived as a more reliable source of information than the company (that is, when the product is evaluated by experience attributes).
- Corporate Social Responsibility Schemes. For instance, where the focus is on enhancing the emotional bond between customer and brand, and a third party receives a financial benefit.
  - o For example, Procter & Gamble (P&G) indicates that one rupee from the purchase of Ariel washing powder would be given to charity. While the objective of the programme could be varied, these programmes would certainly help the brands to enter the consideration set of the middle and upper income groups.

So, loyalty programmes may not build loyalty as the name suggest but may serve other purposes for the company.

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