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 ATLAS SkillTech University

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Unit 1: Introduction to Marketing

Learning Outcomes:

1. Define the concept of marketing and explain its importance in business and society.
2. Differentiate between needs, wants, and demands in the context of marketing.
3. Identify and describe the core marketing concepts such as value, exchange, and customer satisfaction.
4. Analyze the evolution of marketing — from product orientation to the modern customer-centric approach.
5. Explain the role of the marketing mix (4Ps/7Ps) in designing effective marketing strategies.
6. Evaluate how marketing contributes to competitive advantage in both local and global markets.
7. Apply basic marketing principles to simple business scenarios and case studies.

Content

- 1.0 Introductory Caselet
- 1.1 Introduction to Marketing
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1.0 Introductory Caselet

The Masked Tiger is a tiny café in a bustling college town. In the beginning, the cafe drew students primarily with its cheap coffee and comfortable chairs. But then a few of new competitors opened up in the vicinity, serving hipper drinks, providing Wi-Fi and loyalty programs.

Sales were slowing at Sweet Sip, and people were coming in less frequently, Mr. Rohan said. He had learned the hard way that it was no longer sufficient to compete based on cheap prices alone. This realisation struck him after he went to a brief business seminar and realised that there is marketing in nitty gritty. He realized successful companies are not only selling a product but also establishing a value, relationship and communications with customers.

Drawing on these concepts, Rohan chose to reposition Sweet Sip. He implemented a “Buy 5 Get 1 Free” loyalty card, updated the café’s interior to make it more student-friendly and advertised for the coffee shop with popular hashtags on social media and seasonal deals. Sweet Sip was up and running, back on the map within three months of its re-opening as the university students’ “go-to café.”

Critical Thinking Question

Why did Mr. Rohan need to learn about marketing before he could change what Sweet Sip was now offering, and what risks would the cafe have run if it had continued to depend on low prices?

1.1 Introduction to Marketing

Marketing is one of the most essential activities in the management of any business marketing plays a central role in providing organisations with a means of getting to know their customers. At its essence, marketing is about psychology: understanding human needs and desires, developing products and services for which there are good reasons to buy them (i.e., that satisfy those needs), and communicating value such that it resonates with the audience. It is not just about selling or marketing; indeed, it spans the entire spectrum of activities that relate to finding good opportunities and building products around them, forming long-term relationships with customers and providing them satisfactory solutions.

Marketing has changed a lot through the years. Traditionally it was thought of only as a sales and promotion tool. In modern business world, marketing is considered as a strategic discipline that blends research, consumer behavior, branding, pricing, distribution and communication in order to attain the organizational interests. It's also a business philosophy and framework of practices that can help companies compete in rapidly changing markets.

1.1.1 Definition of Marketing

The American Marketing Association (AMA), offers the following formal definition: Marketing is "the activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large."

This definition emphasizes certain main elements:

- Sales is not a one-time sales event but an ongoing process, which requires marketing.

'It is a multilateral arrangement between various institutions such as enterprises, customers, intermediaries and the society at large.

- It is centric on product and services value creation and delivery.
- It focuses on exchange, in which the buyer and the seller both benefit.

Summary Marketing, simply defined is a process of identifying customer needs through market analysis, creating and implementing solutions to meet the customers requirements and it's all about putting customers in the center of business.

1.1.2 Features and Characteristics of Marketing

Features and Characteristics of Marketing



Figure 1.1

Marketing details and features includes :

Customer-Driven – Marketing centres on discovering and fulfilling the needs and wants of customers.

Value Creation – The objective of marketing is to create value for customers and businesses by offering solutions that satisfy demand.

Exchange Oriented- Selling and buying is an exchange process – customers give up some of the valuable resource (money, attention and loyalty) in return for products.

Dynamic and evolving – Marketing is not static, as technology, consumer behavior and competition all continually shift.

Function of Integration – Marketing is not a job of one department but it extends to many departments like production, finance, logistics and general management.

Dual Focus – Marketing is applicable to consumer as well as business to business sectors.

Social and Ethical Aspect – In contemporary marketing, the importance of social responsibility, sustainability and ethical practices is more as compared to earning profit.

1.1.3 Nature of Marketing as a Discipline

Here under are some points which will make us learn what marketing as an academic and practical discipline is:

Science and Art – Marketing uses the principles of economics, psychology, sociology but at the same time is also about operating on hunches to shape the future.

Managerial Discipline – Marketing has evolved to provide managers with models and analytical tools for decision-making in product development, pricing, promotion, and distribution.

Cross discipline in nature – Marketing is an amalgam of contributions from various disciplines like psychology, sociology, anthropology, statistics and economics.

Purpose-Driven – Marketing is done to achieve specific goals like increasing market share, building a brand, and strengthening customer relationships.

Dynamic in Nature – Marketing evolves with technological advances, globalization and shifting consumer needs; it is a flexible field of study.

1.1.4 Scope of Marketing

The breadth of marketing includes all of the activities necessary to move a product/service from the company to the consumer. It encompasses everything from planning the product to ensuring that it gets to the right people at the right time and price. The following are some of the primary domains under which marketing falls:

Product and Service Management

It refers to creating a product or service which customers want. This is about managing them as in their lifecycle.

Market Research and Consumer Analysis

That is gathering information about customers — their likes and dislikes, their buying habits, their needs — so that companies can make good decisions.

Pricing Strategies

Marketers set the price of products and services by doing a calculation that includes the cost to make it, customer expectations, and what the competition is charging for similar products.

Promotion and Communication

This refers to promoting the product using various media and tactics – ads, social media, sales promotions, public relations work through press releases etc.

Distribution and Logistics

Ensuring the availability of products to customers where and when they want them, via efficient delivery systems and supply chains.

Brand Management

Developing and preserving a consistent brand image so that customers can identify with the business's offerings.

products.

Sales Management

Management of sales-team, setting targets and establish a good relationship with the customer in order to increase sales.

Emerging Areas of Marketing

Techniques such as digital Marketing, Social Media Marketing, influencer marketing and green marketing are included in the modern market.

Real-world example: Amul – The Taste of India

As a great Indian example, Amul is one such brand that supports how every aspect of marketing interacts:

- **Product Management-** Amul has a range of dairy products such as milk, butter, cheese, ice cream.
- **Market Research:** They understand consumer preferences in the market to introduce new products like flavoured milk and toned alternatives.
- **Price Policy:** Amul price its products of high quality at pocket friendly rates for the common man.
- **Promotion:** The unforgettable “Amul Girl” campaigns utilizes humor and news to advertise in newspapers and on social media.
- **Distribution:** Amul has a robust supply chain that extends to villages even in the rural parts of India.
- **Brand;** The brand Amul is a well established and trusted name throughout the country.
- **Sales Management:** it has a huge chain of dealers & distributors who serves as a bridge between the company and customers directly.
- **Emerging Markets:** Amul is present on Instagram as well as Twitter and has begun selling online.

This goes to show – a single entity can utilize virtually all forms of marketing to become a success and be loved by millions of customers.

“There's a lot more to marketing than sales and advertisement. It's about product design, pricing, branding, distribution, market research, customer relationship management and even societal welfare. Today the discipline of marketing includes digital media, global markets and sustainability initiatives; in fact it's far more than just “promotion” – it's a powerhouse business function.”

1.1.5 Importance and Role of Marketing

Importance and impact of Marketing in contemporary business and society The significance and role of marketing in today's business can be discussed as:

Meets Customer Requirements -Marketing ensures the products/ services align themselves as per customer expectation.

Builds Competitive Distinctions – Organizations that can successfully market their products or services, have a clear edge in the competitive marketplace.

Grows Business – Marketing is essential to sales, revenue and overall growth.

Develops customer relationship – By providing continuous communication and value marketing build loyalty and trust.

Builds Innovation – Simply by looking the consumer behavior and products gaps, marketing refines new product development.

Helps Economic Progress – Marketing helps create employment and income for producers, traders and the like.

Serves as the Middleman Between Business and Society – Marketing assists organisations in aligning themselves with society's needs, such as sustainability and ethical conduct.

1.2 Core Concepts of Marketing

1.2.1 Needs, Wants, and Demands Needs

- Definition: Maslow's Needs are fundamental human necessities deriving from biological, psychological and social grounds.

- Types of Needs:

☐ Physiological requirements: Basic needs of survival, that is, food or nutritional requirements, water, clothing and shelter.

☐ Social requirement: The requirement for love, belonging or social relationship.

-Individuel enjeux: Croissance personnelle, savoir, l'expression de soi et la réalisation.

Necessities Are within and not caused by salesmen they are universal }:

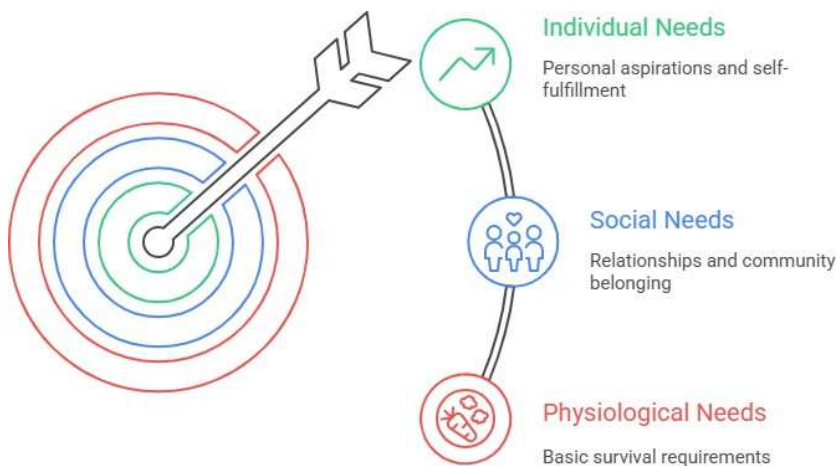


Fig. 1.2 Types of Needs

- DEFINITION: Wants are cultural, lifestyle determined and personality directed forms that needs take.

- Characteristics:

☐ None are universal but all are found to some extent in all people and groups.

☐ They are influenced by schooling, media, culture and individual experiences.

- Example: an individual's desire for food can manifest as a want for Italian pasta, Indian curry or fast food

depending on preferences.

Demands

- Definition: Wants supported by purchasing power are called demands.
- Key Insight: There is demand for the product and customers are ready, willing and able to purchase.
- Implication for Marketers: Marketers need to integrate price and its relation with customer wants to craft offerings that can stimulate real demand in the market.

1.2.2 Value and Satisfaction Value

- Definition : Value is applied to the customer perception of the benefits of a good or service over its

cost.

- Key Aspects:

☐ Functional value (practical benefits).

☐ Emotional value (feelings and experiences).

☐ Social value (status and recognition).

- Customers weigh perceived benefits against what they lose (money, time, effort) in an exchange.

Satisfaction

- What is it: After matching performance to expectation, how fulfilled a customer is.

actual product performance.

- Possible Outcomes:

☐ If performance dissatisfaction.

☐ If performance = expectations → satisfaction.

☐ If performance > expectations → customer delight.

- Marketing Implications: Greater satisfaction leads to loyalty, repeat purchase and positive word of mouth.

1.2.3 Exchange, Transactions, and Relationships Exchange

- Definition: Exchange refers to the obtaining of some desirable object from another in return for a good or service.

- Conditions for Exchange:

☐ There must be two parties.

☐ One or both of the players has a prize to claim.

Each can be both communicative and the deliverer.

☐ No one is under any obligation to accept or reject.

☐ Both feel the trade is good.

Transactions

- Terminology: Simply put, a “transaction” is when two parties do something with value.

- Example: A customer gives ₹500 for a textbook; they get the book.

- Types of Transactions:

☐ Financial exchange (pay money in return for goods/services).

☐ Exchange transactions (goods are exchanged directly with each other rather than for money).

Relationships

- Definition: Relationships shift from one-time transactions to a more permanent relationship between a customer and a business.

- Importance:

☐ Builds trust and loyalty.

☐ Encourages repeat business.

o Aids to minimize marketing spend as holding on to existing customer is less expensive than acquisition of a new customer.

- Contemporary marketing philosophy: Relationship marketing focuses on customer lifetime value (CLV) rather than focusing on how many sales are made.

1.2.4 Markets and Market Offerings Markets

- Definition: A market is a group of all the potential buyers of something.

- Characteristics:

☐ There is a market where there is demand.

☐ It can be defined by geography (local, regional, global) or product types (technology market, educational market and etc).

- Types of Markets:

Consumer markets (goods/services for individual, or household use).

☐ Business markets (goods/services used in the production process).

☐ Government/nonprofit markets.

☐ Global/international markets.

Market Offerings

- Definition: Market offerings are the amalgamation of products, services, information, or experiences that businesses offer to meet customer needs and wants.

- Components:

Con-sumer Incen-tives Consumer in the broad-est sense of the word: goods to be enjoyed.

☐ Physical Goods (Products that are con-sumed or used directly): e.g., smartphones, cars.

☐ Intangible services (education, healthcare, consultancy).

☐ Experiences (tourism, entertainment).

Relevance: Firms need to create offerings that are better than competitors' and contribute unique value in order to attract and maintain customers.

1.2.5 Marketing and Customer Value Creation Definition

In relation to the above information, marketing process can be defined as: marketing is a social and managerial process by which individuals and groups obtain what they need and want by creating and exchanging value with others. This function consists of a few important aspects:

Identifying Customer Needs. This point includes understanding what the customers actually want and what they need. This involves conducting surveys, research, market analysis, and more.

Designing Products/Services that Can Meet Needs. Once the needs of the customers are identified, a company can start creating offerings that can meet these expectations. They have to be cost efficient, have all necessary features, convenient, and much more.

Communicating and Delivering Offerings. This function of marketing involves offering the product to the customer, or advertising, contacting clients through social media, or personal selling, and delivering the product.

Maintaining Relationships with Customers. After all mentioned above steps, good marketing must maintain the relationship with the customer. It refers to offering loyalty programs for the customer, good customer service and after-sale customer support, as well as the general branding and its message. Customer value creation may be defined as “customer value creation is a process to deliver meaningful worthy benefits that the customers understand as valuable and are willing to pay for”. This process can be conducted in various ways through certain strategies:

- Innovation and Product Differentiation.
 - Quality Improvement and Reliability.
 - Competitive Pricing Strategies.
 - Customer Service and After-Sales Support.
- Long-term Perspective. Customers who feel the value are more likely to come back and recommend this brand to others. For example, Tata Motors may deliver a great example of how a company may implement all 4 functions of Marketing plus create a value for the customers. 1. Identifying Customer Needs. Thus, Tata Motors uses different researches depending on the group of the customers – from low-price hatchbacks to electrical cars.

Designing Products to Meet Needs

Strategic observations like these have led to the company’s planning for producing a variety of models, such as the Tata Tiago to cater towards budget buyers and the Tata Nexon EV for environmentally-conscious consumers.

Communicating and Delivering Effectively

Tata Motors launches cross platform advertising and collaborates with local dealerships across India to make it’s offerings available & popular to as many consumers.

Building and Maintaining Relationships

They provide great after-sales services with service centers, warranties and customer care that will give you a sense of trust in the long run.

In doing so, Tata Motors also provides customer value with innovation (electric vehicles), quality (safe and reliable cars) at competitive pricing and service. This keeps the company's customer base and competitive position strong.

Activity

Students will break into small teams and select a product they are familiar with (e.g., smartphone, soft drink or clothing brand). They have to discover the needs/wants/demand the product meets, its value and satisfaction it fulfills / creates possible exchange/ transaction it represents How companies create customer value.

1.3 Evolution of Marketing Concepts

1.3.1 Exchange Concept

- **Definition and Nature:** The concept of exchange is the fundamental principle on which marketing is based. It is based on the concept that: 'marketing happens in between two people, who exchange goods, services or value, to fill a need'.
- **Core Mechanism:**
 - One side provides something of worth (products, services, money or time).
 - There is an exchange from another party.
- **Historical Relevance:**
 - Early barter systems, when farmers would trade a crop for tools or animals.
 - And when money was invented transactional system became money exchange systems.
- **Limitations:**
 - It is transactional- only concentrating on the transactions instead of knowing and meeting expanded customer needs.
 - Not mindful of longterm relations or customer satisfaction.
 - Example: A farmer who exchanges rice for salt in a village market.

1.3.2 Production Concept

- **Meaning:** It is a concept that believes the consumers would favor those products which are low priced and widely available.
- **Core Assumptions:**
 - Consumers value wide availability.
 - Producing efficiently gives you reduced costs and mass consumption.
- **Historical Context:**
 - Prominent in the late 19th and early 20th centuries – its pinnacle at the industrial revolution period.

→ For example, the production line of Henry Ford on the Model T car which enabled to cut down costs and have cars.

accessible to the middle class.

- Strengths:

→ Would work in the situations where there is excess of demand over supply.

→ Emphasis on Efficiency and cost minimization.

- Weaknesses:

→ Ignores consumer preferences beyond affordability.

→ Runs the risk of creating sub-quality or non-relevant products.

1.3.3 Product Concept

- Definitions: The product concept states that consumers prefer products with the most quality, performance, or features.

- Core Belief; “A great product speaks for itself and will sell itself.”

- Features:

→ Pay attention to innovation, research and development and improvement.

Quality and technology is given more importance than cost.

- Historical Context:

→ First popularised in the late 20th and early 21st century when industries became commoditised and competition intensified.

- Critical View:

→ Can result in “marketing myopia,” focusing on product and not the customer needs.

- Example: Tech companies obsessed with new features, even when customers might prefer simpler and more user-friendly products.

1.3.4 Selling Concept

- Definition: According to selling concept, consumers will not buy enough of the organization’s product unless firms undertake a large scale selling and promotional effort.

- Key Principles:

→ Push strategy: forcing consumers to purchase what is produced.

- Intensive selling is the main marketing strategy.
- Application Areas:
 - Typical of unsought goods like insurance, physical check-ups, or donations to charities.
- Limitations:
 - Short sighted, concentrating on sales instead of satisfied customers in the short-term.
 - Can damage consumer perceptions or loyalty.
- Example: Selling vacuum cleaners door to door or relentless telemarketing.

Do you know ?

“A Harvard Business Review study revealed that companies relying heavily on aggressive selling tactics may face high churn rates, with up to 70% of customers never making a repeat purchase. This highlights why modern businesses increasingly prioritize customer satisfaction and relationship marketing over short-term selling strategies.”

1.3.5 Marketing Concept

- Concept: The marketing concept represents a shift away from product-driven marketing and towards consumer driven definitions. It's about understanding the customer better than what your competition can deliver.”
- Core Assumptions:
 - The first step is to Determine customers purchase needs and desire by research.
 - Value is added through the collective efforts of all departments working together (integrated marketing).
 - Profitability results from the long-term satisfaction of customers.
- Historical Development:
 - Became significant in the mid-20th century after production became surplus to demand in developed markets.

- Practical Implications:

- Enterprises have to embrace market research, segmentation and targeting.

- For example: Fast moving consumer goods, FMCG companies such as Unilever do research on the consumers before introducing a new product into the market.

1.3.6 Societal Marketing Concept

- Concept: The societal marketing concept enlarges the marketing concept by placing importance not only on customer satisfaction, but also on the long-run benefit of society.

- Core Principles:

- Optimal balance between profit for the company, satisfaction of customers and well-being or partners.

- Ethical, social and responsible behavior.

- Importance:

- Increasing awareness of consumer on environmental and social problems.

- Corporate pressure to make the world a better place.

- Example:

- Coca-Cola and its drive to lessen plastics pollution.

- Body Shop's involvement in not testing their products on animals.

- Limitations: It is challenging to reconcile profit motivations with concerns for society and this scenario can result in the rise of operations costs.

1.3.7 Relationship Marketing Concept

- Definition: Relationship marketing focuses on creating and maintaining long lasting mutually beneficial relationship with customers and other stakeholders.

- Core Elements:

- Customer loyalty and retention.

- Two-way communication and personalized engagement.

- Customers for life not one-off transactions.

- Relevance in Modern Era:

- Better connections can be established by businesses who make use of digital marketing and customer data analytics.

CRM → Customer Relationship Management → The CRM system is designed to keep track of customer details so it can be utilized to contact specific customers with offers.

- Examples:

- Membership Cards, Reward Schemes in supermarkets.

- The business models of online platforms such as Netflix or Amazon Prime.

- Advantages:

- Reduces customer acquisition costs.

- Generates brand ambassadors via word-of-mouth a.

1.4 Marketing Mix

1.4.1 Traditional 4Ps of Marketing

The 4Ps model gives marketers a 'terminus' from which to work to create strategies (McCarthy, 1960). It comprises Product, Price, Place (distribution) and Promotion – the 4 key areas that need to be managed in a balanced way to meet customer needs.

a) Product Decisions and Strategies Definition:

A product is anything that can be offered in a market to satisfy consumer needs or wants.

Strategies:

- Product appearance and attributes (quality, packaging, branding)
- Line-of- product decisions (additions, variations, or deletions)
- Innovation and new product development
- After-sales service and warranties

Example:

Patanjali Ayurved launched the herbal personal care range, focusing on natural ingredients (product strategy) offered at a price lower than MNC brands (price strategy), and while promoting by appealing to national pride and health consciousness (promotion strategy), these products are being distributed through both modern retail outlets as well as traditional trade channels, having regional presence in terms of placement within a year of their launch. This dual approach made the brand a hit in India in no time.

b) Pricing Strategies Definition:

Price is the price a consumer pays for a product. Price has influence in revenue, profit, and positioning.

Common Strategies:

- Penetration pricing – The charge at which it is charged to give the cheapest price yet to a new product or service entering the market.
- Skimming price – High introductory price, reduction later on
- Value pricing – Setting price through buyer's perception of value.
- Cost-competitive with or less than competitors

Example:

Smartphones of Oppo penetrated the Indian market with penetration pricing, premium product features at lower prices in place (penetration) to capture market share; it employed a youth oriented camera centric product and target strategy (product); promoted its brands through Bollywood endorsements (promotion); mostly available for purchase in leading retail chains like online stores, tiny shops, retailer stores including branded stores set up by OPPO i.e. O store & other mobile outlets organized under "Real time,Dhawan2017"). It was this full plan that enabled them to quickly gain a strong foothold.

c) Distribution (Place) Channels Definition:

Place The place is the way a product arrives in a market. It is not only distribution decisions, rather it also comprises all logistics decisions.

Strategies:

- Vertical integration – Using company-owned outlets or internet sites to sell directly to consumers
- Indirect distribution – Middlemen such as retailers and wholesalers
- Extensive distribution – products are generally available.
- Selective distribution – Limited availability
- Exclusive distribution – For a limited number of sellers only

Example:

Amul, through vigorous distribution, makes sure its products – such as milk and butter along with ice creams – are available everywhere (intensive distribution). It remains price competitive (pricing strategy), maintains the other product strategy) and conducts simple, yet effective advertising campaigns (promotion strategy) such as -"The Amul Girl". This synchronization of all 4Ps helps Amul emerge as a brand in every Indian Household.

d) Promotion and Communication Tools Definition:

Promotion is anything you do to communicate the value of a product and persuade people to buy it.

Key Tools:

- Advertising (TV, digital, print)
- Sales promotion ((price reductions, coupons, samples)
- Personal selling (face-to-face sales)
- Public relations (media coverage, sponsorships)
- Digital advertising (social media, content marketing)

Example:

Maggi (Nestlé) came back from a crisis in 2015 by launching a well-integrated promotion campaign centered on emotional connection and trust-building (promotion push). It re-launched the product with new quality assurance (product strategy), kept competitive low pricing in place (price strategy) and made such available through intense distributorship across local stores, supermarkets and online fronts. Restoring consumer confidence through the use of all four Ps.

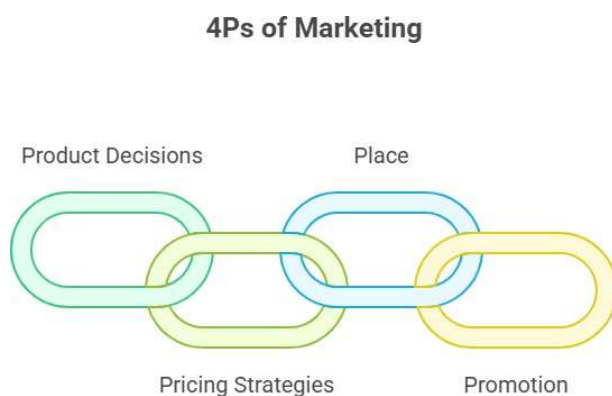


Fig. 4.1 4Ps of Marketing

1.4.2 Extended 7Ps for Services

Since services are characterised by intangibility, variability and inability to be possessed, the model of 4Ps was extended in new service marketing with 7Ps.

a) People

- Definition- People are individuals such as employees, customer & other stakeholder involved in the process of service delivery.

- Importance:

The behaviors, skills, and attitudes of employees directly influence the quality of their service.

- Training and support are essential to satisfaction.

- Example: In the hotel industry, service staff at all levels provide guests with an impression of great professionalism and personable friendliness.

b) Process

- Operation Process: The operation process is the mechanisms or procedures employed in producing and delivering of service.

- Key Features:

- Streamlined process allows consistency and reliability.

- Increase of customer confidence on transparency and speed.

- Example: Standardization and speed Fast-food companies such as McDonald's use standardized procedures to achieve fast and uniform service worldwide.

c) Physical Evidence

- Definition: Physical evidence is the tangible cues to the service which providers and customers can use to evaluate quality i.e. The environment in which the service is delivered, where the firm and customer interact, and any tangible components that facilitate performance or communication of the service.

- Components:

- Physical facilities, layout, and ambiance.

- Brandings such as logos, brochures or uniforms.

- Your digital footprints like website and app.

- Example: Starbucks provides a welcoming café atmosphere with uniform store design, decor and packaging, reflecting their brand.

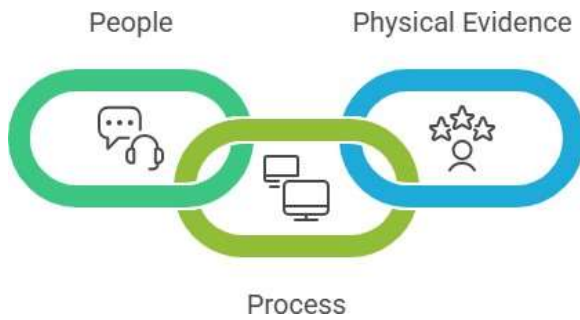


Fig. 4.1 Extended 7Ps

1.5 Factors Affecting the Marketing Mix

1.5.1 Internal Factors

Internal factors are those that the company itself can influence and impact their marketing decisions.

a) Organizational Objectives

- **Definition:** What an organisation hopes to achieve in the long term, and why its chooses marketing activities accordingly.
- **Objective Examples:** Profits maximization, market leadership, customer satisfaction, social responsibility.
- **Impact:**
 - ☐ An organization that aims to maximize its profits might do high margin pricing.
 - ☐ A social enterprise could be targeting affordability and access.

- For instance: Tesla's mission to advance sustainable energy affects its premium prices and innovation strategy.

b) Budget and Resources

- What it is: Marketing bucks The size and strength of marketing efforts depend on the money available.

- Impact:

☒ They have large budget to advertise and distribute it worldwide.

☒ Budget constraints require that firms engage in selective promotion and narrow targeting.

- Example: Start-ups lack the resources to invest heavily in social media and word-of-mouth marketing.

c) Product Line and Brand Image

- Description: The product and brand characteristics influence the marketing decisions.

- Impact:

☒ A premium brand may be associated with the themes of exclusivity, quality and high price.

☒ A company with broad product ranges can cross-sell and bundle.

- For example, Apple's very strong brand enables it to charge premium prices, while also enjoying a loyal base of customers.

loyalty.

1.5.2 External Factors

These variables are beyond the organization's control, and they can have an impact on their marketing decisions.

a) Market Trends

- Definition: Changes in consumer tastes, economic conditions, and cultural values that influence demand.

- Impact:

☑ Megatrends like health awareness shape product development (e.g. organic food).

☑ Digitalization promotes e-commerce and Internet marketing.

- Example: The popularity of fitness culture has helped increase demand for wearable health devices, such as smartwatches.

b) Competition

- Definition: The ability of competing organizations with similar products to affect pricing, promotion and positioning.

- Impact:

☐ Fierce competition could result in price cut-throat.

☐ It is now very important to differentiate to be known.

- Example: PepsiCo and the Coca-Cola Company go back and forth changing their promotions and distribution strategies to compete against each other.

c) Consumer Behavior

- Explanation: How customers buy (including when and where).

- Impact:

Demographics Lifestyle Culture influences marketing.

Consumers' desire for quality, convenience, and personalized products and services drives the design of products and services.

- Example: Demands for sustainable, cruelty-free products have influenced strategies in the cosmetics industry.

d) Technological Environment

- Description: Product innovation, distribution and communication are all impacted by technological advancements.

- Impact:

☒ E-Commerce platforms and mobile applications reshape customer studies.

☒ Personalized marketing becomes possible with data analytics and AI.

- For example: Amazon utilizes AI-based recommendations to improve customer experience and boost sales.

e) Legal and Regulatory Environment

- Definition : Government laws and regulations that shape marketing practices.

- Impact:

Compliance with advertising regulations, labeling rules and consumer protection legislation is obligatory.

☒ Reputation damage and legal sanctions may result from violations.

- Example: Bans on advertising tobacco have forced corporate introduction of brand-building in dissimilar ways.

Did You Know?

“Over 60% of global consumers prefer eco-friendly brands, showing how external factors like environmental concerns significantly reshape marketing strategies across industries.”

1.6 Trends and Disruption in Marketing

1.6.1 Digital Marketing Transformation

- Defined: Digital marketing transformation is the change from using traditional (offline) marketing channels to reliance on digital approaches for media and advertising.

- Key Drivers:

- : Growth in internet penetration and smartphone use.

- Availability of real-time consumer data.

- Increasing dominance of e-commerce platforms.

- Core Practices:

- Search Engine Optimization (SEO): Boost your online presence on search engines.

- SEM (Search Engine Marketing): When we pay for people's attention through Search Ads.

- Content Marketing: Utilizing blogs, videos, and podcasts to educate and entertain.

- Email & Mobile Marketing: Targeted individual communication to consumer groups.

- Impacts on Businesses:

- Better measuring ROI by leveraging data analytics.

- World-wide use at lower costs (you don't have to send expensive ads by mail or place costly banner ads on the web).

- Bi-Directional which allow for conversation between the business and consumer.

- Example: Amazon's business model relies on digital platforms, tapping into personalized ads and

recommendations to boost sales.

1.6.2 Social Media and Influencer Marketing

- What It Is: This movement involves using the power of social media and digitally influential people to generate authentic brand statements.

- Why: With the power of the influence of recommendations from influencers and peers becoming stronger than corporate advertisements in the consumer's mind.

- Core Practices:

- Influencer Collaborations: Working with celebrities or micro/nano-influencers for targeted outreach.

User-Generated Content (UGC): The practice of prompting customers to provide experiences, reviews or UGC-type posts.

→ Viral Marketing: -the interactive content like challenges and hashtags.

- Advantages:

→ Builds community and trust.

Reaches engaged and niche audiences.

→ Encourages peer-to-peer brand advocacy.

- Example: Nike partners with Instagram stars who are athletes and fitness influencers to connect its brand with athletic inspiration.

1.6.3 Personalization and Customer Experience

- Personalization vs. Customer Experience Personalization is the process of customizing marketing efforts to fit with individual consumer preferences, customer experience is the total perception customers have based on their interactions with a brand.

- Drivers: Big data, AI (artificial intelligence), and customer relationship management (CRM) systems.

- Core Tools and Strategies:

→ Emails that are tailored and relevant to the individual.

→ Webpages and apps with recommendation engines.

→ Personalized loyalty programs through past purchase history.

- Importance:

→ Increases customer satisfaction and retention.

Creates more emotional brand relationships.

→ It drives up repeat sales and life time value.

- Example: Netflix leverages viewing history to recommend movies and TV shows based on users' interests, which leads to increased satisfaction and engagement.

1.6.4 Artificial Intelligence and Marketing Automation

- Definition: Deploying machine learning and automated systems to make marketing more efficient and personal.

- Applications:

→ Chatbots: Providing instant customer support.

→ Predictive Data: Forecasting consumer trend and demand.

→ Automation Campaign: Delivering the right message to the right people at the right time.

→ Sentiment Analysis: Tracking and measurement of public opinion on social media.

- Advantages:

- Minimizes manual error and reduces the cost of operation.

- Enables personalization at scale.

Updates are also much faster which allows for on-the-fly decision making.

- Example: Spotify uses AI to create playlists like “Discover Weekly,” featuring a personalized music

experience for each user.

1.6.5 Ethical Marketing and Sustainability

- What it means: Honesty, fairness and responsibility in marketing is also a tenet of ethical behavior while concern for the long-term environment and social health are part of sustainability.

- Key Elements:

- Not making deceptive or unfounded claims.

- Using recyclable or biodegradable packaging.

- Promoting fair trade and community building.

- Importance:

- Growing consumer desire for responsible brands.

- Enhances corporate reputation and trust.

- Reduces regulatory and reputational risks.

- Example: Patagonia invites customers to fix clothes rather than making new purchases, linking profit and environmental sustainability.

1.6.6 Disruptive Business Models

- Definition: Business models that turn whole industries upside down, replacing the old way of doing things with a new, more efficient and often radically less expensive form of delivering value.

- Key Features:

- Often technology-driven and platform-based.

- Be customer-centric and convenient.

→ Challenge traditional industry leaders.

• Examples:

→ Uber revolutionized taxi service with an app for hailing rides.

→ Airbnb revolutionized hotels with peer-to-peer lodging.

→ Netflix unbundled rentals from DVD-by-subscription offering an on-demand streaming subscription service.

• Impact: Legacy businesses will need to innovate or evolve — or be disrupted by agile new competitors.

Knowledge Check 1

Choose the correct option:

1. Which of the following best describes *Digital Marketing Transformation*?

- | | |
|--|---|
| a) Reliance only on print advertising platforms | b) Shift from offline to online platforms |
| c) Selling through door-to-door channels marketing | d) Exclusive use of television marketing |

2. Which company is a classic example of *Disruptive Business Models* in hospitality?

- | | |
|------------|------------|
| a) Uber | b) Airbnb |
| c) Netflix | d) Spotify |

3. Which tool is widely used in *Artificial Intelligence and Marketing Automation*?

- | | |
|------------------------|------------------------|
| a) Billboard campaigns | b) Trade fairs |
| c) Chatbots | d) Direct mail letters |

4. Patagonia's approach to promoting product repair instead of replacement is an example of:

- | | |
|---|-----------------------|
| a) Selling Concept | b) Personalization |
| c) Ethical Marketing and Sustainability | d) Production Concept |

1.7 Summary

☐ The framework of marketing is nothing but the core concepts of customer, wants, needs and demands.

Value and satisfaction drive customer choice and loyalty over time.

☐ Marketing as exchange, transaction and relationship for business –consumer interaction.

☐ Markets and market products are a demand side, and the supply can be offered by businesses.

1 The Development of Marketing Thought The marketing concepts have evolved from the concept of exchange, production and product philosophies to selling, marketing, societal and relationship orientation.

☐ The marketing mix explains how companies use the 4Ps (product, price, place, and promotion) to develop successful program.

☐ The mix becomes 7Ps for services adding people, process and physical evidence.

Internal factors such as organisational objectives, resources and corporate image drive marketing choices.

☐ Trends, competition, consumer behavior, technology and regulation are external in nature and influence marketing activities.

☐ Trends and technologies like Digital Transformation, social media, Personalisation; Artificial Intelligence (AI), Ethical (Sustainability), Disruption as Business Model reshape contemporary marketing.

1.8 Key Terms

Needs – Fundamental human wants necessary for life and health including food, clothing, and shelter.

Wants – Particular needs which are cultural, lifestyle and personal preferences.

Demand – Desire for goods supported by the ability to pay and willingness to buy.

Marketing Mix – A combination of controllable factors (4Ps/7Ps) that a firm uses to influence consumer response.

Value – The ratio of customer perceived benefits to price paid.

Customer Satisfaction – The degree to which product performance matches or exceeds expectations of a customer.

expectations.

Societal Marketing Concept – A principle that balances the organization's profit with the customers' life.

1.9 Descriptive Questions

Distinguish between needs, wants and demands with examples.

Explain the significance of value and customer satisfaction in developing long-term relationships.

Examine the development of marketing philosophies from the exchange philosophy through to the relationship marketing philosophy.

Discuss marketing mix, the 4Ps and how each effects consumer choices.

What are the extended 7Ps of services marketing and how important are the same in service industry?

Critically evaluate the influence of internal and external factors on an organisation's marketing strategy.

Explain digital transformation, social media, and AI as the three disruptive trends that affect marketing today.

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Answers to Knowledge Check

Knowledge Check 1

1. b) Shift from offline to online platforms
2. b) Airbnb
3. c) Chatbots
4. c) Ethical Marketing and Sustainability

1.11 Case Study

Introduction

GreenSip, a startup that made fruit juices in organic form, joined an industry already saturated with international brands that had captured the shelves. Even though GreenSip was providing premium, preservative-free products, they were struggled

in gaining market share. The corporation had to strategically develop its marketing basics - fundamentals, mix, and external environment adaptation- in order to fight successfully and survive growth.

Background

The founders thought the consumer need for healthy beverages could become demand if positioned correctly. Not only did GreenSip stand in the equivalent of newspaper adverts initially but it turned to digitalisation, influencer marketing and sustainability in order to reach out to those modern day customer. Meanwhile, internal restrictions (lack of budget), and external pressure from strong competition urged them to plan their marketing mix meticulously and measure with a clear sense for consumer tastes and social norms.

Problem 1: Product Strategy Done Right

The juices were organic but packaging was not premium compared with others, which customers did not like.

Solution: Novel appealing packaging that is eco-friendly should be invested in and sustainability promoted in branding.

MCQ:

What's most important for GreenSip to focus on in their product strategy?

- A) Only reduce prices
- B) Packaging which appeals, packaging that is sustainable and clear value communication
- C) Avoid packaging and focus on shelf placement
- D) Accept only whom you know by name.

Answer: B) Appealing, sustainable packaging and lack of value communication

Problem 2: Limited Budget for Promotions

Finances for extensive advertising were not available to GreenSip.

Solution: Utilize social platforms and micro-influencers to create authenticity that will cultivate customer trust.

MCQ:

What is the best little-cost strategy for GreenSip to fulfill its promotional challenge?

A) National TV campaigns

B) How does social work and influencer marketingBenefit will both business?

C) Celebrity endorsements

D) Billboards across cities

Answer: B) Social media and influencer marketing

Issue 3: Threat of intense competition and price cutting

Firms lined up to offer GreenSip less costly options, and GreenSip found itself in danger of losing customers.

Solution: Position as value-based: Rather than fighting on price only, focus the selling proposition of quality product (natural ingredients), good for you and natural packaging.

MCQ:

How to Price your Product How can GreenSip be priced differently?

A) Value-based pricing

B) Predatory pricing

C) Random discounts

D) Ignoring competitors' strategies

Answer: A) Value-based pricing

Conclusion

The GreenSip case illustrates the importance of marrying fundamental marketing concepts, internal and external forces at work, and appropriate positioning strategies to generate success. By leveraging digital marketing, emphasizing full transparency on sustainability and balancing price with value, the brand placed itself as a socially-conscious disrupter in an emerging market.

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Unit 2: Marketing Environment

Learning Outcomes:

1. Defining the concept of the marketing environment and distinguish between its micro and macro components.
2. Identify key factors in the microenvironment (e.g., customers, suppliers, competitors, intermediaries) that affect marketing decisions.
3. Analyze the impact of macro-environmental factors (PESTLE: Political, Economic, Social, Technological, Legal, Environmental) on an organization's marketing strategy.
4. Evaluate how changes in the marketing environment influence consumer behavior and market trends.
5. Assess the role of environmental scanning in identifying opportunities and threats in the marketing environment.
6. Apply concepts of the marketing environment to real-world case studies and marketing scenarios.
7. Formulate strategies for adapting marketing plans in response to environmental changes and uncertainties.

Content

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- 2.1 Introduction to Marketing Environment
- 2.2 Microenvironment Factors
- 2.3 Macro Environment Factors
- 2.4 PESTLE Analysis
- 2.5 Role of Competition
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2.0 Introductory Caselet

"Stock Smart — Navigating Market Pressures in Retail Inventory"

Inventory management is no longer just a back-office function; it's now a top-of-mind, strategic business priority in today's volatile and fast-paced retail climate. An example would be an incident where the large US retailer, Target Corporation, one of the largest in the country, struggled with its inventory during COVID-19 and the global supply chain issue that followed. The company misread shifts in consumer demand, and now has too much inventory in some categories and not nearly enough of it in others. These misalignments were reflected in profitability, customer satisfaction and market competitiveness.

The experiences of Stock Smart Part of a larger regional retail chain specializing in the sale of home appliances. Stock Smart also met with hiccups, like Target did:

- Inflation increases from our suppliers
- Global shipping delays that cause stock to not be readily available.
- Ramped competition as competitors started using AI-powered platforms for sales forecasting and inventory planning Stock Smart management realized quickly that inventory decisions can no longer rely solely on warehouse control or historical data. Instead, they had to respond to a wider business landscape that included:
 - Micro-environmental factors, including shifting customer preferences, supplier behavior and competitor tactics

Macro-environmental variables: economic conditions, political regulations and technological developments

In turn, Stock Smart revamped its procurement policies, deepened relationships with suppliers and started using digital tools to forecast demand. This change highlighted the need for a holistic and flexible approach to inventory strategy, which both reflects internal and external influences, and will ensure competitive advantage in future.

Critical Thinking Question:

Why is it important for a retailer such as Stock Smart to have a matching inventory strategy with micro and macro level situational circumstances?

2.1 Introduction to Marketing Environment

2.1.1 Meaning and Definition of Marketing Environment

Meaning:

The marketing environment includes all the internal and external factors that influence a business's operating situation, or its ability to sell its product or service.

- It serves as a “business eco-system” where companies interact with customers, suppliers, rival industries, government and society.
- Markets are in transition, the world is changing all around us so companies need to be always on and adapting.

Definitions:

Philip Kotler: “The marketing environment includes the actors and forces outside marketing that affect marketing management’s ability to build and maintain successful relationships with target customers.”

The external marketing environment consists of a complex set of factors and forces that marketers must understand and respond to. William J. Stanton: “The marketing environment is the totality of all the factors and forces that affect a firm’s ability to continue in business into the future.”

American Marketing Association: “The marketing environment comprises the totality of all those factors and forces that come into play in the execution of a producing (or purchasing) decision.

Key Characteristics:

Dynamic and ever-changing

There is always something new transforming business – be it emerging technologies, policy changes or market evolution. In order to survive, organizations have to act rapidly given what works today might not work tomorrow.

Complex and interrelated

Business environment dimensions are also interrelated; the change in one dimension, such as government policy changes can impact other aspects of business environment like consumer demand or investment climate -General Analysis and Decision Making is Very Complex.)

It includes controllable (internal) factors as well as uncontrollable (external) factors.

Internal elements, such as management, operations, and resources are controllable by the firm; external forces— such as economic conditions, competitors or regulations—are uncontrollable requiring strategic decisions that take into account anticipated changes in these aspects.

Requires continuous monitoring

As the environment is unpredictable and volatile, the companies have to continuously monitor trends, regulation and market conditions in continuation in order to stay competitive, to take advantage of opportunities and minimize risk for decision-making and planning.

2.1.2 Significance of Understanding the Marketing Environment

Organizations are not isolated entities and those that realise about their external environment can take advantage of the potential it offers. The importance of studying the marketing environment can be outlined as follows:

Benefits of Marketing Environment



Figure 2.1

Helps in Strategic Planning:

Through the analysis of internal and external factors, such as environment, companies can establish achievable targets and adopt adequate marketing strategies.

For example, a company entering a new market will study consumer behavior, the competitive landscape and regulations before introducing their product.

Identifies Opportunities and Threats:

An environmental scan identifies potential opportunities for growth (e.g., increasing demand for green products) and threats (e.g., closing of new environmental laws).

Facilitates Better Decision-Making:

Managers can create pricing, promotion, product innovation and distribution strategies on the basis of objective evidence.

Improves Customer Orientation:

The study of demographic and sociocultural factors is used by corporations in the development of products geared toward meeting customer needs.

Illustrative example: Airline companies offering snacks that are low in sugar such as peanuts to cater for consumer health-oriented needs.

Enhances Competitive Advantage:

Knowledge about rival plans helps companies to differentiate and hold onto market share.

Ensures Compliance and Risk Management:

Understanding the legal and political backdrop also enables firms to stay on the right side of rules and avert penalties.

2.1.3 Types of Marketing Environment

The environment of market is generally divided into two types:

A. Internal Environment

- Includes factors the organization can control.
- Examples:
 - o Employees and organizational culture
 - o Financial resources
 - o Research and development capabilities
 - o Management structure and policies
 - o Company objectives and brand image
- Illustration: A firm with a talented staff and plenty of financial muscle will be able to easily bring new products to market.

B. External Environment

Micro and Macro environments are of two types:

Microenvironment (Immediate Environment):

Results have a direct impact on the enterprise's ability to deliver-quality customer service.

- o Clients: As a result of preferences the demand for products is decided.
- o Suppliers: – Supply of raw materials, which also influences the quality and cost.
- o Competitors: Other companies compete on pricing, product attributes, and promotional tactics.

- o Middlemen: The people who sell the goods- wholesalers, retailers and agents.
- o Shareholders & Investors: They contribute money and control decisions.
- o Publicity: Media, local communities and pressure groups influence a firm's reputation.

Macro Environment (General Environment):

Underlying forces rather than market opportunities and threats.

- o Demographic: population, age structure, literacy, gender composition.
- o Economic Aspects: Inflation, Income differences, buying power interest rates.
- o Technological Drivers: Automation, e-commerce, AI and invention.
- o Political and Legal – regulation, government stability; taxes: GATT 1947-50s1979 Multinational Agreement on Investment.
- o Socio-Cultural: Social norms, heritage, change of lifestyle.
- o Natural/Environmental Factors: Weather, local resources, Sustainability.

2.1.4 The Impact of the Environment on Marketing Decisions

The environment heavily influences marketing decisions. Some impacts include:

Product Decisions:

- o The demands of consumers, competitive improvements and technological influence the these products in design and features. Example: Much of the space provided by smartphone vendors is replaced and updated as technology advances and consumer demand change.

Pricing Decisions:

- o Prices are determined in by firms marketing decisions, economic conditions and consumer incomes and the prices of their competitors.

Example: Inflation may lead firms to pursue value-based pricing.

Promotion Decisions:

- o Communication approaches are influenced by cultural values, linguistic barriers and media choice.

Example: Advertisements that shy away from provocative concepts in conservative cultures may fall short of the ones in Western countries.

Distribution Decisions:

o The availability of the middlemen, facilities and sequencing whereby distribution is conducted.

Example: Firms introduce e-commerce channels when internet penetration is high in the market.

Strategic Positioning:

o Rivalry, legal constraints and social-cultural practices impact the way an organization positions their brands.

Risk Management:

o When there are foreign instabilities such as economic, political or pandemics it is necessary for companies to have strategic adaptability.

2.1.5 Internal vs. External Environment

A comparison between the two:

Aspect	Internal Environment	External Environment
Definition	Factors within the company's control	Factors outside the company's control
Scope	Employees, culture, resources, management, R&D	Customers, competitors, technology, economy
Nature	Controllable	Largely uncontrollable
Impact	Direct and immediate	Indirect, but significant
Example	Strong R&D enabling product innovation	New government law forcing modification

Key Point:

- Internal factors shape the **strength and capabilities** of the company.
- External factors create the **opportunities and threats** to which the company must adapt.

2.2 Microenvironment Factors

2.2.1 The Company

The internal environment of the company is the basis of micro environment. 3.No department works in a vacuum, marketing depends on other departments support and coordination.

Key Internal Elements:

- Top Management: Establishes strategic objectives, vision, mission and enterprise culture.
- Finance: Balance-sheet growth and sufficient flows for advertising, R&D, and promotions.
- R & D : Creation of new products, designs or ideas.
- Production/Operations: Product quality, efficiency and cost control.
- Admissions and human resources (HR): Controls employee motivation, training, and recruitment.
- Organizational Culture: Common values and attitudes that underlie an organization's work.

Illustration Example:

If the finance teams holds budgets tight, for example, the marketing team can't roll out a big ad campaign. On the other hand, a great R&D team can build unique features (such as Apple's Face ID), which allows the marketing team to claim dominion over them.

2.2.2 Suppliers

Suppliers are businesses or persons who give the manufacturers with raw materials, tools, equipment and supplies that the manufacturer needs. No producers, no deliverers of that product.

Roles of Suppliers in Marketing:

Availability of Product: There is a regular availability of raw materials and inputs for a uninterrupted production.

Impact on costs: The cost to the company of goods and services is influenced by supplier prices.

Quality Impact: Better supplier materials lead to satisfied customers.

Strategic Relationships: A stable relationship that lasts over time builds trust and confidence.

Risks of Poor Supplier Management:

- Material shortages (semiconductor crisis impacting carmakers).
- The price movement has caused volatile cost of product.
- Disruptions in supply from strikes, disasters or geopolitical crises.

Example: Toyota's "Just-in-Time" supply system relies on good suppliers. Any disruption (like the

Japan's(2011 Japan Earthquake) Clearly.The production is directly affected.

2.2.3 Marketing Intermediaries

Marketing intermediaries assist the firm in promoting, selling and distributing its goods to final buyers. They're the middleman between producers and consumers.

Types of Marketing Intermediaries:

Resellers: Wholesalers, retailers and distributors that purchase and resell merchandise.

Physical Distribution Firms: Firms performing the activities of storing and transporting.

Marketing Services Agencies: Ad agencies, PR firms and research consultants.

": Banks, credit companies and insurance firms - some of the main components of the financial sector who provide support to transactions.

Importance:

- Help companies reach wider markets.
- Distribute and sell more efficiently.
- Enhance product promotion and awareness.

Example: Amazon is a world reseller and distribution channel for millions of producers. In the same manner, DHL (logistic) provides on time delivery of items for global customers.

2.2.4 Customers

Customers are the heart of marketing. How ease of use and excellent customer experience became so invaluable to businesses The life and well-being of any business depends on how well that company understands and feeds the needs, wants, desires, projects and most importantly emotions of its customer base.

Types of Customers:

Consumer Markets:- Consumers purchasing for personal consumption (e.g., clothes).

Business Markets: Organizations purchasing products for use in their everyday operations (such as steel to be used in the fabrication of automobiles).

Reseller Markets:Wholesalers and retailers purchasing goods for resale at a profit.

Government / Institutional Market: Public sector buyers of products and services.

Overseas Markets: Buyers from the foreign market like Export buyers etc.

Example:

- The soft-drink maker Coca-Cola sells beverages to consumer markets.

- Intel supplies processors for business markets, such as Dell and HP.
- Governments purchase medical equipment from companies like Siemens and GE.

2.2.5 Competitors

Competitors are competing companies that offer products that are similar to or can be substituted for a firm's products. All companies need to discover and track competitors, and respond in a thoughtful way.

Types of Competition:

A diet running its course through every class of the community, is their own best antagonist."

Direct Competitor: The same products.

Indirect Competitors: Replacements for the same need (e.g., an uber vs. a subway).

Potential competitors: Firms current not in the industry.

Impact of Competitors:

- Influence pricing decisions (price wars).
- Boost product innovation and quality.
- Compel companies to distinguish themselves by the brands they establish.

Example:

In the smartphone business, Apple competes with Samsung and Xiaomi among others. Every launch is an opportunity for tech and marketing advancements.

2.2.6 Publics

1) Publics are any group that has an actual or potential interest in or impact on a company's ability to achieve its default Managerial Marketing Task Table 17-1 Managerial marketing tasks
Who is the target market?

objectives.

Types of Publics:

Economic Publics: Bankers; investors and stockholders.

Media Publics: Newspapers, TV, media on the net.

Government Publics: The regulators, legislators and judges.

Citizen Action Groups: NGOs, consumers and environmentalists.

Host communities: Places where companies have operations.

10) General Public: How the company is viewed by society.

Internal Publics: These are made up of employees, managers and volunteers.

Example:

- One negative media story can have an impact on a company's brand.
- Environmental organizations had pushed McDonald's to replace plastic straws with paper ones.
- Internal publics (employees) can be carriers and critics of the brand.

2.2.7 Managing Micro Environmental Factors

Control of the micro environment is essential in management.

Strategies for Managing Microenvironment:

The Company: Reorient all of your divisions around customers.

Suppliers: Develop long term partners, diversify sources, and employ supply chain management systems.

Middlemen: Pick trusted distributors, rely on technology for efficiency and communication.

Customers: Invest in market research, implement CRM systems and personalize services.

Rivals: Use competitors' benchmarking, follow the latest trends in the sector and never stop innovating.

Publics: Participate in CSR, transparent and with the media.

Example of Best Practice:

Microenvironment Analysis Unilever manages its microenvironment in following ways:

- Building sustainable supplier relationships.
- Partnering with global distributors.
- Innovation based on customer insights.
- Continuing CSR drives for good public relations.

2.3 Macro Environment Factors

The macro environment is generalized into large external factors that inherently influence organizations and industries. Unlike the micro environment of a retail store, companies in the retail industry usually cannot influence or change the macro environment and must adapt to

changes as they arise. Economic entities consider these forces so they can implement strategies according to opportunities and threats.

2.3.1 Overview of Macro Environment

The macro environment is characterised by broad societal, economic, technological, political and natural factors influencing the entire business environment. Firms are not able to influence these forces, but can adjust their strategies to them. PESTLE analysis – It is Macro-environmental factors such as political, economic, social, technological, legal and environmental forces.

The significance of macro environment analysis can be described as follows: 1.

Identifying growth opportunities.

Predicting risks and preparing strategies.

Matching business objectives to outside developments.

Ensuring long-term sustainability.

2.3.2 Socio-cultural and Demographic Forces

Sociocultural forces of the PESTEL framework represent the values, attitudes, cultural norms and lifestyles that conditions peoples behavior within a society. Although not explicitly mentioned as a distinct pillar of PESTEL, there are essentially demographic effects that tend to be an important part of socio-cultural factors. These demographic factors have a major impact on market behaviour, consumption trends and workforce composition.

Important socio-cultural and demographic determinants are:

Population Growth and Size – Affects the volume of demand for consumer goods, services and infrastructure.

Age Distribution – Older populations may increase the need for healthcare and retirees services, while younger populations may lead to more demand for technology, education and entertainment.

Gender Composition – Preferences of consumers, as well as participation on the labour market, are influenced by switching roles between women and men.

Urbanization – The rise in migrations to the cities, triggers a need for housing, public transport and urban consumer services.

Education Levels: Higher educational and literacy levels generate modern consumer demand pattern and affect product complexity and marketing communication.

Family Composition – The growth of nuclear families, two- earner family units, and one-person households changes consumption habits and service demands

2.3.4 Socio-Cultural Forces

Socio-cultural influences comprise values, attitudes, lifestyles and cultural traditions that influence consumer behaviour. Key aspects include:

Culture Norms and Values: Attitudes shape consumers' brand, product or service preference.

Trends: An increased focus on health has driven demand for organic food and fitness-related products.

Work and Leisure: Affects purchase of travel, entertainment and work-life balance products.

Social Class and Status: Up-market items are generally aimed at wealthier customers.

Religions and Traditions : Influence the patterns of consumption, festivals and marketing strategies.

Consumerism Movement: Rights and responsibilities inflect ethical consumption.

2.3.5 Technological Forces

Innovations and scientific advances that disrupt sectors." Key aspects include:

Automation and AI: Enhance rail production by cutting waste —Cases.

Digitalisation: Drives more online shopping, e-learning and virtual communication.

R&D (Research and Development): Promotes drug, chemical, electronics, and renewable energy innovation.

Telecommunications: Promotes inter connectivity and global integration.

Outmoded Tech: Firms have to evolve fast so they're not outclassed.

Data and analysis: Drive decision making and enhance customer understanding.

2.3.6 Political and Legal Forces

The rules of business and government stability are set by political and legal forces. Key aspects include:

Political Stability and Policies: Political stability promotes investment, whereas instability enhances risk.

Regulatory Environment: Laws related to consumer protection, labor laws and taxation have an impact on business operations.

Policy: Tariffs, free trade agreements and quotas determine decisions to enter the market.

Institutions: Intellectual property rights and contracts are enforced and competition is fair.

Public Policy and Lobby: Businesses can push for legislation by lobbying.

Geopolitical Relationships: Whether the fight or be an ally, geopolitical relationships have an impact on the world's supply chains.

2.3.7 Ecological and Natural Environment

The environmental side of the business involves external elements and the physical environment, and how they impact a business.

Key aspects include:

Availability of Natural Resources: Water, minerals, and energy are scarce which affects production.

Climate Change: Extreme weather disrupts supply chains and production.

Sustainability Woes: Demand for green products and alternative energy.

Pollution and Waste Management: Use of sustainable alternatives in order to minimize emissions and established recycling systems.

Government Environmental Regulations: Policy on carbon output, waste disposal and sustainable use hampers strategy.

Biodiversity and Ecosystems Products: Companies must prevent their operations from causing harm to natural habitats.

Knowledge Check 1

Choose the correct option:

1. Which of the following is a demographic force?
 - a) Inflation rate
 - b) Age distribution
 - c) Climate change
 - d) Trade policy
2. High inflation in an economy primarily affects:
 - a) Consumer lifestyles
 - b) Product innovation
 - c) Purchasing power
 - d) Family size
3. Which of the following is a socio-cultural factor?
 - a) Cultural values
 - b) GDP growth
 - c) Automation

- d) Tariff barriers
- 4. Climate change and resource scarcity are part of:
 - a) Political forces
 - b) Technological forces
 - c) Legal forces
- d) Ecological forces

2.4 PESTLE Analysis

2.4.1 Introduction and purpose of PESTLE Analysis Introduction:

PESTLE is an analysis tool used to define the macro-political, economic, social, technological, legal and environmental situation of an organisation. The acronym is used to describe political, economic, social, technological, legal and environmental factors. These external factors exist beyond the business's control and have a large potential effect on its strategy and success.

Purpose of PESTLE Analysis:

- To systematically explore and monitor the environment outside the organisation for emerging trends and uncertainties.
- To assist companies in anticipating changes and planning effective strategic responses.
- To discover ways to innovate, diversify or expand.
- To identify and mitigate profitability, compliance or sustainability risks.
- To help in evidence-based-decision-taking including but not limited to new product development, marketing, investment planning.

2.4.2 Political Factors

Political – These factors take into account the role of government and how their policies, political stability and foreign relations impact business conditions.

Factors:

- Government stability and political risk
- Trade and foreign policy
- Taxation and fiscal policy
- Public spending and regulation
- Regulatory frameworks

Example:

Brexit introduced uncertainty for Jaguar Land Rover as new tariffs, border delays and regulatory changes upended its supply chain. The business would have to grapple with higher

costs from sourcing parts in the EU, on top of duties for exporting finished cars back, it warned as it cast doubt over its production methods, market access and future investment plans in Europe.

2.4.3 Economic Factors

Economic dimensions comprise factors such as markets, monetary systems and the general economic environment, which affect consumers demand and firm growth.

Factors:

- Inflation and interest rates
- GDP growth and economic cycles
- Employment and wage levels
- Exchange rate fluctuations
- Access to capital

Example:

Walmart had weathered the 2008 global financial crisis by promoting its ability to offer low prices, even as consumer confidence fell. The retailer broadened its selection of cheaper basics, offered steep price rollbacks and used its supply chain speed. This approach ensured that Walmart could keep moving merchandise and bring in customers who counted their pennies to make ends meet while reinforcing the idea that it was a company that offered value.

2.4.4 Social Factors

Socio-cultural forces are those associated with changes in consumer preferences – culture, sub-culture and social values.

Factors:

- Demographic shifts
- Cultural values and beliefs
- Lifestyle changes
- Education and literacy levels
- Urbanization and mobility

Example:

The global movement toward health and sustainability helped drive Beyond Meat's explosive expansion. The brand appealed to both vegetarians and meat-eaters by providing plant-based

options that replicated the taste and texture of meat. Sealed tightly was a message that resonated and people embraced the idea of their health, animal welfare and climate change reaching critical mass as direct to consumer adoption skyrocketed globally.

2.4.5 Technological Factors

Technological dimensions refer to innovation, digitalisation and infrastructure that reshaping competitiveness.

Factors:

- Digital transformation
- Automation and AI
- Research and development (R&D)
- Technology infrastructure
- Pace of technological change

Example:

Amazon revolutionized worldwide retailing by infusing digital technology throughout its operations. Recommendation systems powered by artificial intelligence provided customized shopping experiences, resulting in increased customer engagement and sales. Robotics helped the logistics of the warehouse work more efficiently, driving down costs and speeding up delivery. Furthered by its cloud platform AWS, diversified revenue streams allowed Amazon to be a kingpin in both e-commerce and cloud computing industries.

2.4.6 Legal Factors

Legal elements include laws, regulations, and legal systems that influence companies' operations.

Factors:

- Employment law
- Consumer protection laws
- Data privacy regulations
- Intellectual property rights
- Competition law

Example:

Meta (Facebook) was at risk of multi-billion-euro fines under the EU 's GDPR for violating transparency rules and consent practices on data use. Both penalties caused the company to revamp global compliance systems, enact stronger data-protection policies and spend heavily on privacy tools, transforming its operations and setting a precedent for digital platform accountability.

2.4.7 Environmental (Ecological) Factors

Temporal factors involve the sustainability, resource management, and environmental impact of a business.

Factors:

- Climate change and carbon emissions
- Resource availability
- Sustainability practices
- Waste management and pollution control
- Natural disasters and environmental risks

Example:

Tesla offered itself as an exemplar of sustainability by making electric cars and investing in renewable energy solutions, such as solar panels and battery storage. Its mandate to lower carbon emissions matched global environmental priorities, giving it customer demand, regulatory backing and competitive advantage in the expanding green technology sector.

“Activity”

Form groups of 4–5 students and pick a company operating in your country. Identify at least three legal factors (e.g., labor law, consumer protection, data privacy). Discuss how these laws influence the company's operations, marketing, or customer relations. Present findings in class with practical examples.

2.5 Role of Competition

2.5.1 Meaning and Nature of Competition Meaning:

Competition is the active rivalry between businesses offering similar goods or services for the same consumers in a given economic market.

Nature:

Dynamic: The level of competition in the market alters as technology advance and customer tastes evolve.

Generic: The type of BAR it is available to, across all industries.

Customer-Led: Dedicated to solving consumers' problems faster than competitors.

Exacerbated by Globalization: Competition is not only in local but global.

Positive: It encourages efficiency, innovation and superior products.

2.5.2 Types of Competition (Direct, Indirect, etc.)

Direct competition would be companies who have the same or likely similar product (like Coca-Cola vs. Pepsi).

Indirect Competitors: Other businesses that provide a different solution to the same need (e.g. movie theatres vs. on-demand video streaming services).

Competition Substitution: Products that replace existing substitutes (electric car as substitute of petrol car).

Competition in the Future: Who may enter the industry to negatively affect your business's position?

Brand Competition: Battle between trade marks via the perception and loyalty of customers rather than through similarity of product.

2.5.3 Competitive Analysis Tools

For businesses to gauge where they stand in relation to their competitors, certain tools and frameworks are developed. These tools can be used to pinpoint strengths and threats, and also areas where beneficial strategic changes could be made.



Figure 2.3

Key Tools:

SWOT Analysis

Assesses an organization's internal strengths and weaknesses relative to external opportunities and threats.

o Example: Apple's competencies in innovation and brand loyalty, opportunity within the wearable

tech and competition from Android-powered rivals.

Benchmarking

o Comparing critical performance indicators (e.g. sales, efficiency, service quality) to industry leaders to then identify gaps in performance Copyright © 2005 Pearson Education Canada Inc.

o Example: A local retail chain comparing delivery times and customer satisfaction scores to those of Amazon.

Competitor Profiling

o Description of methods used to collect data on competitors (market position and history, status of production systems or plants, cooperating partners).

o Example: PepsiCo looking at Coca-Cola's prices, distribution and advertising expenditure.

Market Share Analysis

o Compares the relative market share of a company in an industry to measure its dominance or potential growth.

- o Example: Samsung tracking sales trends of smartphones versus Apple and upcoming Chinese brands.

Customer Feedback and Reviews

- o Aggregates learnings from consumer reviews, ratings and surveys around brand positioning, competitive advantages etc.

- o Example: Hotels that monitor TripAdvisor reviews to competitors in the vicinity, and use those reviews for making adjustments in price or services.

2.5.4 Competitive Strategies in Marketing

Companies resort to different stakes to gain a competitive advantage in marketing. These approaches can be used to distinguish brands, cut expenses, penetrate new groups of customers or develop relationships with them.

Key Strategies (with Examples):

Cost Leadership

- o This will be done by manufacturing more inexpensively and giving a “better” price.

- o Example: Cost leadership of Walmart in terms of global procurement as well as supply chain efficiency.

Differentiation

- o Products differentiate by providing function, design, quality or service that are value to customer.

- o Example: Tesla stands out because of its state-of-the-art technology, self-driving capabilities and a powerful innovation story.

Focus Strategy

- o Focuses on a market segment or niche with specific offerings.

- o Example: Rolls-Royce is aimed at very high-end automotive markets with custom design and hand crafting.

Innovation Strategy

- o Competition by being continuously innovative in either products, processes or business models.

- o Example: Netflix shifted from DVD rental to a streaming service and now invests in lots of original content.

Customer Relationship Strategy

- o Creates loyalty through one-to-one service, interaction and customer care.
 - o Example: Starbucks loyalty app offers personalized offers and pre-order capability – 5.2M avg monthly users
- Figure 1: Examples of mobile advertising as an ad type may make the best decision to install it.

Brand Positioning

- o Establishes a memory space in consumer's minds with strength and clarity.
- o (Source) Nike—hinges inspiration, athletic excellence and emotional branding (“Just Do It”).

2.5.5 Porter's Five Forces Framework

Michael Porter's Five Forces model is an often used analysis tool to assess the level of competition in and profitability of an Industry. It analyses the impact of five forces that determine the intensity of competition.

Threat of New Entrants

- Low barriers to entry allow new players to disrupt existing markets.
- Example: The sharing economy experienced a huge shakeup when Uber disrupted classic taxi services by entering the market.

Bargaining Power of Suppliers

- The power of suppliers increases when they are limited in number or provide a crucial resource.
- Example: The scarcity of alternatives for high-performance chips has given players like Intel and AMD enormous bargaining power in the PC processor market.

Bargaining Power of Buyers

- Buyers have power when they have lots of options or make big orders.
- Example: Retailers including Walmart have strong bargaining power with suppliers because of the volume of purchases and marketplace reach.

Threat of Substitutes

- Competition from substitutable products or services that meet a similar need can also impinge on players.
- Example: Plant-based meat alternatives such as Beyond Meat pose a substitute threat to producers of traditional meats.

Industry Rivalry

- Among the existing operators price wars, advertising battles and unprofitability rule supreme.
- Example: There is fierce competition by way of innovation, pricing and branding in the smartphone industry, with Apple and Samsung along with Chinese brands as key players.

Did You Know?

“Did you know Michael Porter introduced the Five Forces Framework in 1979 as part of his book Competitive Strategy? This model became one of the most widely used tools in strategic management. It helps businesses understand industry attractiveness, anticipate shifts in competition, and make informed strategic decisions.”

2.6 Impact of Globalization

2.6.1 Meaning and Drivers of Globalization

Meaning:

Globalization refers to the integration of businesses and economies around the world, primarily resulting from foreign trade and investment, new technology, information communication, and travels and transfer from media influences.

Drivers:

Technological developments- Internet, digital means of communication and transport makes the world a smaller place.

Trade Liberalisation: Lowering of tariffs allows sale and purchase on the international market.

Foreign Direct Investment (FDI): Flow of funds from one country to another.

Global Production Networks: Connect global value chains to underline the process of production between countries.

Transnational Institutions: WTO, IMF, World Bank promote inter-state relations
The Mode of Communal organizations source this dependency independent from states necessity and development (Condit & Lucas, 2010).

Consumer Demand: Increasing appetite for imported goods and global labels.

2.6.2 Globalization and Market Access

- Access to bigger markets beyond the borders of your country for businesses.

- Customers have greater product choices with better price formulas.
- SMEs can take their business INTERNATIONAL thanks to digital platforms.
- Companies can take advantage of economies of scale by selling all over the world.
- Branding and visibility are expanded on a global scale.

2.6.3 Challenges for Marketers in a Globalized Economy

Marketers face various challenges and must take into account the many ways that culture affects consumption of goods and services, for example people have different preferences in terms of packaging, promotion, aesthetics, design etc. In many countries sales are regulated by local customs which can be affected by political, legal or economic biases. "\>Got questions?

Fierce competition: Local companies have to compete with multinationals.

Cultural Barriers: Misinterpretation of domestic norms may cause the marketing campaign to fail.

Regulatory Complexity: Differences in trade laws, taxes and compliance.

Foreign Exchange Fluctuation: Impact on pricing, revenue and profit Forex changes affect the pyramid in the triangle between price, revenue and profit.

Political and Economic instability: Unpredictable policies affect long term investments.

Ethical Concerns: Accused of exploiting workers, being unsustainable, and engaging in unfair trade.

2.6.4 Glocalization Strategy

- Definition: Glocalization entails global reach with local adaptation; that is, products are designed or marketed globally and adapted for product use tailored to local cultures and needs.

- Examples:

- o McDonald's India offering vegetarian menus as well.

- o Coke adapting flavors to suit local palates.

- Vital because: Guarantees a consistent global brand with due respect for local tastes, laws and traditions.

2.6.5 Cultural Sensitivity and Adaptation

- Knowledge of cultural values, languages, customs and consumer behaviour is crucial in international markets.

- Misunderstanding cultural customs may hurt the brand image.
- Advertisers need to personalize ads, packaging, product design and communication styles for local culture.
- Sensitivity to cultural differences builds credibility, increases customer/client loyalty and avoids brand rejection.

2.7 Role of Digitalization

2.7.1 Introduction to Digitalization in Marketing

Marketing digitalization means the use of digital technologies to develop, communicate, deliver and exchange value for customers. It is complemented by online and mobile channels and automated, going beyond traditional campaign elements.

- Enables real-time communication with customers.
- Bolsters product and service customization.
- Overcomes the limitations of distance, or geographical barriers to access global audience.
- Becomes more cost-effective relative to traditional advertising.

2.7.2 Use of Digital Tools and Platforms

Companies use various digital tools to enhance efficiency and engagement:

Run promotional campaigns and build a community across social media platforms (Facebook, Instagram, LinkedIn and Twitter)

SEO: Increasing visibility on Google and other search engines.

Email Campaign: Target specific audiences with customised campaigns.

Content Marketing: Educational blogs, videos and podcasts to inform and engage consumers.

Mobile Apps: Direct messaging, loyalty programs and in app purchases.

Customer Relationship Management (CRM) Systems: Monitoring and investigating customer behaviour.

2.7.3 Rise of E-commerce and Online Consumer Behavior

- E-commerce Takeoff: E-commerce is part of the growing trend as it has turned retail on its head, with companies such as Amazon, Flipkart and Alibaba reimagining how people shop.
- Convenience: Customers demand fast, 24/7 access to goods and services.
- Product Reviews & Ratings: Impact buying decisions more than traditional ads.

- **Personalization:** Recommendation engines recommend products you might like based on what you looked at.
- **Decision-Making Change:** Consumers shop for price, features, delivery options before they buy.

2.7.4 Opportunities and Threats of Digitalization

Opportunities:

International marketing and global customer reach.

Spend less with focused marketing and automation.

More accurate view on customer from collecting data.

More effective brand interaction through interactive platforms.

Threats:

Cybersecurity risks and data breaches.

There's intense competition as well—and low barriers to entry.

Obsolescence due to rapid changes in technology.

Exposure to negative publicity via viral social media.

Reliance on digital infrastructure and connectivity.

2.7.5 Role of Data Analytics and AI in Marketing Decisions

- **Data Analytics:** Can be used to monitor customer journeys, track purchasing trends and measure campaign effectiveness.
- **Artificial Intelligence (AI):** Drives chatbots, tailor made suggestions and predictive analytics.
- **Consumer Segmentation:** AI discovers micro-segments for more personalized advertising and marketing.
- **Forecasting Machine Learning:** Predicts what demand is and what the customer wants it to be.
- **Dynamic prices:** Prices of products are adjusted according to real demand and competition amount.
- **Improved Customer Experience:** AI-powered personalization increases customer satisfaction and loyalty.

2.8 Environmental Scanning

2.8.1 Meaning and Significance of Environmental Scanning

Meaning:

Environmental scanning is the process of watching, viewing or listening etc., to events, trends and relationships from inside a firm, its own internal environment environment. components and elements that should be added as references to implement these strategies.

Importance:

Identifies potential opportunities for growth.

That identifies threats which impact performance.

Reduces uncertainty in decision-making.

Aligns strategies with market realities.

Facilitates long-term planning and innovation.

Reinforces the organization's flexibility in changing environment.

2.8.2 Techniques of Environmental Scanning

There are multiple mechanisms by which organizations acquire and analyze their environmental information:

Observation: Observing how competitors act, customers react and markets change.

Surveys and Surveys: Use of consumer, employee or stakeholder feedback.

Expert Forecasting (Delphi Technique): Consulting experts to forecast specific outcomes or frame predictions.

Secondary Research: Studying various reports, government published and Industry data.

Scenario Planning: Creating the future to test strategies.

Benchmarking: Measuring against leading performers in the industry.

Storm Session and Workshops: Brainstorming sessions to analyze change collectively.

2.8.3 SWOT and PESTLE as Scanning Tools

SWOT:

- Strengths: Internal advantages (for example, leading brand name, skilled work force).
- Weaknesses: inward constraints (for example, deficient means and poor technology).
- Opportunities: Positive external trends (e.g., growing demand, new markets).
- Threats: External threats (e.g., competitors, and regulation changes).

PESTLE Analysis:

- Political: Government laws, trade laws, taxation.
- Economic: G.D.P. growth, inflation, consumer income.
- Social: Demographics, life styles, cultural changes.
- Technological: Innovations, automation, digitalization.
- Legal: Labour laws, consumer protection, compliance rules.
 - Environmental: The environment, climate change, resource availability and sustainability concerns.

These are managerial aids to systematically appraise the internal and external environments for strategic planning.

2.8.4 Challenges in Environmental Scanning

Too Much Information: Filtering becomes too complex due to massive data volume.

Change being quickly: Fast evolving context means prediction is very unreliable.

Bias in interpretation: Managers might interpret data subjectively.

Resource Scarcity: SMEs may not have skilled personnel or resources.

World of complexity: International firms operating in diverse environments.

Uncertainty of Happenings: Unexpected occurrences (pandemics, wars) throw predictions off course.

2.8.5 Environmental Scanning and Strategic Marketing Decisions

Environmental scanning has an immediate link with marketing strategies in following manner:

Product Strategy: Matching the product with customer demand and market technology.

Pricing Strategy: Variations in how prices are charged, both as a response to changes in income and inflation, and as an exploitative technique.

How did you promote the program? Strategy: Crafting campaign according to cultural, social and law environments.

Distribution Strategy: Choosing channels that suit the economic and technical realities.

Market Segmentation: New customer groups based on demographic and social changes.

Sustainability Strategy: Meeting environmental and regulatory challenges with eco-friendly techniques.

Competitive Positioning: The ability to understand competitor position and devise its own positioning that is meant for differentiation.

2.9 Summary:

The business environment includes the active internal and external environments.

Macro environment factors The macro environment consists of the demographic, economic, socio-cultural, technological, political and ecological aspects.

⊗ PESTLE analysis provides an assessment of the macro environment that are external factors.

⊗ Legislation and political systems influence the means of operation and strategy of business.

⊗ Competition means better efficiency, innovation, and service through the franchise.

Porter's Five Forces model (PFF) describes contentions of industry competitiveness and profitability.

⊗ Opening more markets as a result of globalization also leads to more complexities for marketers.

⊗ Glocalization is characterized by global brands with local tastes.

Digitalizing changes marketing through means, platforms and e-commerce.

- Data analytics and AI enhance decision-making and personalization.

⊗ Environmental scanning assists strategic marketing in the identification of opportunities and threats.

2.10 Key Terms:

Macro Environment: General environment factors that affects business as a whole.

PESTLE Analysis: A tool to analyze political, economic, social, technological, legal and environmental forces.

Competition: Firms compete with one another to capture customers and increase market share.

Porter's Five Forces: A tool that is used to analyze the competitiveness of an industry and its profitability.

Globalization: The gradual process of, transferring or transforming a nation in poorly integrated states, markets, and economies into an integrated entity.

Glocalization Applying global products or strategies to the local markets and preferences.

Digital: Applying digital platforms and tools in business and marketing.

Data Analysis: Systemic process of analysing, cleansing, and interpreting data in order to make informed decisions.

Environmental Scanning: A process of continually monitoring internal and external factors for the purpose of strategy formulation.

2.11 Descriptive Questions

Discuss the importance of macro-environmental factors in business decisions.

Explain how consumer behavior is affected by demography and the economy.

Explain the Objective and elements of PESTLE analysis with examples.

Review types of competition and how they affect marketing plans.

How the Porter's Five Forces Framework assists in comprehending industry rivalry?

Investigate some of the forces that drive globalization and how it impacts market access for businesses.

What is glocalization? Describe the importance with reference to the multinationals.

How are digital tools and platforms changing the way marketers work with one another to create marketing?

Discuss the role of environmental scanning in strategic marketing decisions

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Answers to Knowledge Check

Knowledge Check 1

1. b) Age distribution
2. c) Purchasing power
3. a) Cultural values
4. d) Ecological forces

2.13 Case Study

“The Role of Environmental Scanning in Strategic Decisions”

Introduction

Businesses function in an ecosystem that is influenced by economic, social and political, technological and environmental forces. Indeed, companies need to keep up with these forces in order to survive and thrive. Environment scanning is an effective tool for both opportunity seeking and threat prevention. This case study examines how one organization leveraged environmental scanning to successfully respond to changes in the market.

Background

Midsized packaged food company EcoFresh was born in its home market with the success of its organic juices and snacks. But outside circumstances started to change very fast. Consumer tastes swung toward eco-friendly packaging, government regulations concerning

food safety tightened and new rivals arrived with ultra-modern supply chains. EcoFresh knew that not reacting would result in decreasing sales, and a loss of brand confidence.

Problem 1: Finding Market Trends is Hard It's hard to identify where the market is going

The company had trouble keeping up with the latest trends in consumer behavior, such as a demand for sustainable packaging and health-oriented products.

Outcome: The company set up a scanning team to monitor changes in demographics and lifestyle. This gave EcoFresh the insights needed to re-design products for the era of consumer health trends and responsible sourcing.

MCQ:

What can EcoFresh do to better analyze consumer trends?

- A) Ignore customer feedback
- B) For market Trend -setting up of the Scanning team
- C) Continue existing practices without change
- D) Wait for competitors to innovate

Answer: B) Creation of a market trend scanning team

Problem Statement 2: Regulatory Challenges

Food Safety New food safety laws and labeling requirements became a compliance challenge for EcoFresh. **Solution:** The organisation used PESTLE analysis to recognise legal and political obligations well in advance. It readjusted its labeling, sourcing and compliance practices. Enjoy these benefits as well EcoFresh never paid fines and restored the faith of those who looked up to them.

MCQ:

What scanning tool enables businesses to monitor political and legal changes?

- A) SWOT
- B) Benchmarking
- C) PESTLE
- D) Brainstorming

Answer: C) PESTLE

Problem Statement 3: Competitive Pressure

Rivals with more advanced technology and global supply chains began to capture market share, posing a serious threat to EcoFresh.

Solution: EcoFresh dashed out a SWOT analysis to list there strengths (brand image, loyal customer set) and weaknesses (obsolete logistics). It poured resources into digital supply chain tools and worked with eco- friendly suppliers to stay competitive.

MCQ:

What did EcoFresh do to overcome competition?

- A) Ignoring competitor moves
- B) Using outdated supply chains
- C) SWOT To identify strength and weakness.
- D) Avoiding investment in technology


Answer: C) SWOT, in order to recognize its strengths and weaknesses

Conclusion

The case of EcoFresh presents the relevance of environmental scanning for business strategy. Employing tools such as SWOT and PESTLE, the business responded to changes in markets, regulation and even its competitive landscape. The value of its gripping scan was simply unsustainable, so EcoFresh are able to continue grow their market, drive brand loyalty and be strong in a fast moving business world.

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What does 'qualifying text' mean?

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Unit 3: Product

Learning Objectives

1. Define the concept of a product and differentiate between goods, services, and ideas.
2. Explain the levels of a product (core, actual, and augmented) with relevant examples.
3. Classify products into consumer and industrial categories, and further into subcategories (e.g., convenience, shopping, specialty, unsought).
4. Analyze the product life cycle (PLC) stages and their implications for marketing strategies.
5. Evaluate product mix and product line decisions in relation to business objectives.
6. Assess role of branding, packaging, & labeling in influencing consumer perception and purchase decisions.
7. Examine importance of new product development (NPD) & innovation in sustaining competitive advantage.
8. Apply product-related concepts to real-world case studies, demonstrating critical thinking & practical understanding.

Content

- 3.0 Inventory Caselet
- 3.1 Introduction to Product
- 3.2 Concept of Service
- 3.3 Product vs. Service
- 3.4 Product Levels
- 3.5 Product Mix
- 3.6 New Product Development (NPD)
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- 3.8 BCG Matrix

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3.0 Inventory Caselet

MaxCart is a medium-sized retail chain located in an expanding metropolitan region. For years, it had relied on a simple barcode-based inventory system and sold a fixed range of fast-moving consumer goods. With new players (QuickMart and SmartLane) in the fray MaxCart was at a conundrum.

The two competitors provided different pattern of product-service bundles. QuickMart concentrated on selling more items, including its own brands and exclusive gadgets. SmartLane, on the other hand, had a smaller selection enriched by services such as home delivery, AI-fueled stock alerts and custom purchase suggestions.

Initially, MaxCart tried to stay competitive by offering a wider variety of products. But it just led to inventory clutter, confusion on the part of customers and inconsistent service. Management knew they were responding tactically, not strategically.

To be more strategic, the MaxCart leadership team elected to review fundamental principles of product and service strategy. They discovered the difference between products and services, how product levels contribute to customer value, and some tools for analyzing their inventory (including the product life cycle and BCG Matrix theories). With this knowledge MaxCart changed their strategy:

- Re-factored their product mix with clear demarcations (essential goods, premium, local)
- Stood up a New Product Development (NPD) process to concept an IOT shelf with alerts in real time

Better service elements, like help, delivery and loyalty programmes

- Utilized BCG Matrix to scrap low-performing products and favor high-growth ones

Rather than resorting to “me too” copying of competition, MaxCart carved out its own identity by providing extremely high-value product-service packages with positioning that

was easy to understand. As a result customer satisfaction skyrocketed, inventory turnover increased and our business grew steadily.

Critical Thinking Question

Why was it necessary for MaxCart to learn about product and service strategy before altering the way it did things, and what were the key product and service strategies it had to understand?

Dozens of people have been killed. What might have gone wrong had it not been?

3.1 Introduction to Product

3.1.1 Definition and Meaning of Product

In marketing, a product is anything that can be offered to a market that might satisfy a want or need. It is not limited to physical items; services (banking, education), experiences (travel packages), events (sports, concerts), people (celebrities, politicians), places (tourist attractions, cities), organizations (non-profits, universities) and in some cases ideas are all considered products it seems.

From a marketing perspective, a good is defined as a bundle of uses—functional and symbolic (psychological) utilities that the consumer receives from its purchase or use.

For example:

- A smartphone sends messages (functional utility), shows status (psychological utility) and connects with a users' friends (social utility).

high education is not only knowledge (service) but also pedigree, job chances and self construction.

Therefore a product is not just what you can touch, it's the whole product and service on offer including customer experience.

3.1.2 Objectives of Product in Marketing

The product is also the focus of the marketing process. It's goals breaking it down for consumers and corporations.

Customer Satisfaction – Products must meet or exceed the needs of target customers with relative benefits.

Example: Apple's design-focused, user-friendly approach increases customer satisfaction.

Return on Investment – The contribution to profit must be direct or indirect for all products. Example: Combo-meals are introduced by fast-food chains' to bump up average billing.

Market Coverage – Companies can enter into new market with expanded product line. Example: Coca-Cola advertises Diet Coke, Coke Zero and Fanta to fit different tastes.

Competitive Advantage – Differentiation of products helps firms stand out. Example: Tesla innovates in the electric car space.

Brand Building – A successful product strengthens the company's brand image. Example: Nike shoes add to its brand persona of performance and endurance.

Sustainability and Growth – Product innovation supports long-term survival. Example: Procter & Gamble reformulates product lines frequently in an effort to remain timely.

3.1.3 Nature and Scope of Product

Nature of the program is that on commercial production line there would be millions components, assemblies present working at extreme environmental conditions.

- Duality: A product can be of tangible nature (cars, clothes) or it may belong to the services category (consulting, health care).
- Dynamic: Products do not exist in a vacuum, they change with tech, consumer behavior and competition.
- Multilevel : a core benefit (the fundamental problem being solved) actual product (features, design, brand), augmented product levels(check performance warranty delivery).

Scope

The product concept is not limited to products:

Manufactured: Consumer products end use products such as toothpaste, cell phones.

C: Industrial Products – Machinery, materials for production of other goods.

Ideas and Services — Campaigns, consultancy, preaching.

Product Mix – The entire product offerings of a firm (e.g., Unilever's mix has soaps, shampoos, and food products).

3.1.4 Classification of Products (Consumer & Industrial)

A. Consumer Products

Convenience Products –

- o Purchased frequently with minimal effort.
- o Low-priced, widely available.
- o Examples: salt, newspapers, chewing gum.

Shopping Products –

- o Shoppers consider quality, price, features.
- o Higher involvement in purchase decision.
- o Examples: clothing, shoes, electronics.

Specialty Products –

- o Special features or a strong brand.
- o Consumers are loyal and willing to go the extra mile.
- o Examples: Rolex watches, luxury cars.

Unsought Products –

- o It does not pop in the mind of customers or who are unaware.
- o Heavy promotion is often required.
- o Its examples include life insurance, blood donation, and funeral services.

B. Industrial Products

Raw Materials – What goes into making products. Example: Cotton for fabric, iron ore for steel.

Capital Goods – Long-term goods used in the production process. Example: Buildings, machinery, trucks.

Parts and Components – Goods made for use in more complex goods. Example: Computer chips for laptops, tires for cars.

By Email to All Managers – Shop Supplies and Business Services-Indirectly supports production.

- o Supplies: office stationery, lubricants.
- o Services: maintenance, repair, IT consulting.

Did You Know?

“Consumer products like toothpaste are bought with little thought, while specialty products like Rolex watches inspire loyalty—industrial products, though unseen, power nearly every business worldwide.”

3.1.5 Characteristics of a Product

Intangibility – Goods can be intangible (education) or tangible (shoes).

Usefulness – Products have to be useful, either in functional, personal or social terms.

Differentiation Features, style or branding.

Lifecycle perspective- Each good enters the market through an introduction phase, gains some share and grows, stabilizes and matures then decline.

Exchange Value – A good must be able to exchange for other value (money or goods from barter).

Perishability – Services cannot be stored (e.g. airline seats, hotel rooms).

Variability – In particular for services, performance can vary on a provider by provider basis.

3.1.6 The Position of Product In The Marketing Plan

Core M of Marketing Mix – Product is the epicentre around which price, place and promotion circulate. And without marketing, there is no product.

Brand Positioning - Quality of the product, characteristics and features differentiate the brand in consumer’s mind.

mind.

Example: BMW portrays themselves as a symbol of luxury and performance.

Segmentation and Targeting – Products are designed in accordance with specific segment requirements. Example: Colgate has varieties of toothpaste for kids, whitening, and sensitivity relief.

Revenue Generator- Sales and profits are derived directly from the product line.

Innovation and Competitive Advantage -Fresh or new products are key to maintain a competitive lead. Example: Samsung comes out with new cellphones to stay ahead.

Customer Retention – Quality products promote trust and repeated sales over the long haul.

3.2 Concept of Service

3.2.1 Definition of Services

Service is an intangible product such as an act, a performance, or an effort that is essentially simultaneous with its production and not separately identifiable before delivery. So in other words, it's anything that the customer is willing to pay for.

- Services may require either human or machine efforts (e.g., teaching, or healthcare vs. an ATM withdrawal or online banking).
- Services differ from products in that they are consumed as delivered, their value is experienced rather than possessed.

Example: When having a haircut, you get grooming (functional benefit), relaxation (psychological benefit) and enhanced appearance or look (social benefit).

3.2.2 Key Characteristics of Services

Services are different from tangible goods because service characteristics are fundamentally different, these different traits often termed IHIP properties inter alia:

Intangibility – Services can't be seen, felt or tasted before the customer makes a purchase. Example: A physical presentation of a medical consultation is not feasible.

Witnessing – Part of witnessing is consumption rather than production. For example: A lecture treats of something at once delivered and received.

Heterogeneity (Variation) - The quality of the service may differ due to provider (especially performance level) or customer, for example.

For example: The service at a hotel might vary by the staff that is working.

Perishability – Services cannot be inventoried or stored for future use.

Example: No one can recycle an empty airplane seat after takeoff.

3.2.3 Types of Services

The services can be categorized as:

Human-Based Services – Directly provided by people, these services depend on human interaction. Examples: Instruction, health care services, consulting, legal advice.

Machine and/or Technology-Based Services commercially available pursuant to 35 U.S.C. Examples: Online banking, ATMs, drive-through car washes.

Consumer Services – Offerings for businesses servicing consumers. Examples: Hospitality, entertainment, personal grooming.

Business to Business(B2B) -Act of doing business between two companies (not including the consumer). Examples: IT services, logistics, advertising, training.

3.2.4 Service Marketing vs. Product Marketing

Aspect	Product Marketing	Service Marketing
Nature	Tangible goods	Intangible activities/benefits
Ownership	Buyer owns the product	No ownership is transferred
Storage	Products can be inventoried	Services cannot be stored
Standardization	Products are standardized	Services vary with provider
Customer Involvement	Limited during production	High during delivery/consumption
Examples	Smartphones, furniture	Banking, healthcare, education

3.2.5 Challenges in Marketing Services

Marketing services differs from goods marketing due to the unique characteristics of services. Key challenges include:

Intangibility – This refers to the service not being able to be seen or touched before purchase. Example: A hospital has to go by word of mouth and testimonials.

Uniform Quality Consultancy – it’s hard to check uniform service quality because we are humans! Example: A restaurant might have different levels of service by day part and staff shift.

Demand and Supply Management – Perishability causes imbalances (excess flights after over-booking while hotel rooms under-used).

Trust building- Customers have to trust based on a concept, branding and credibility are important.

Customer Involvement – Because services are inseparable, customer behavior directly affects the service. Example: A lecture in the classroom is affected by student participation.

“Activity”

Form groups of 4–5 students. Each group selects one service (e.g., hospital, airline, restaurant). Identify its key characteristics (intangibility, inseparability, variability, perishability) and challenges in marketing. Present findings with real-life examples to highlight differences from product marketing.

3.3 Product vs. Service

3.3.1 Tangible vs. Intangible Elements

- Products (Tangible)

- o Products are tangible, quantifiable and can be observed, touched, tried-out or kept for testing before final purchase.

- o They can be previewed by their specifications, brand or physical inspection.

- o Physical components can provide customers more confidence in making decisions.

- Example: A refrigerator can be checked for dimensions, facilities and energy rating before purchase.

- Services (Intangible)

- o Services are intangible; they lack material existence. You can't touch or hold them in your hands.

- o Traditionally, the quality of service is rated by experience, reputation or trust.

- o Intangibility – customer cannot evaluate the service before purchase, advertising reviews or word-of-mouth is the way of gaining information.

- o Ex: Cannot hold up physical evidence of advice to client; must judge by lawyer's *соказывається*.

expertise and reputation.

Did You Know?

“Products are tangible and can be owned, stored, or displayed, but services are intangible and exist only in the moment of delivery. This intangibility makes customers depend heavily on trust, brand reputation, and past experiences when deciding to purchase services, unlike physical products that can be tested.”

3.3.2 Ownership and Transferability

- Products

- o In the sale of products, ownership is passed from seller to buyer upon purchase.

- o The purchaser will be legally permitted to use, resell, or otherwise dispose of the good.

o Example: In the case of a smartphone, after it is bought by the consumer, he owns it and may resell it.

- Services

- o Services are accessed or used, not owned.

- o The buyer enjoys only limited benefits over the life of the service; he does not attain absolute ownership.

- o Example: A gym membership provides access to the facilities during a time period, but does not create t

equipment the member's property.

3.3.3 Production and Consumption Timing

- Products

- o Products can be fabricated or produced, phased in inventory and sold subsequently.

- o This division between production, distribution and consumption permits mass production and economies of scale.

- o Example: A cloth store produces clothes months before it is available at a retail store.

- Services

- o Services and consumption of services are inseparable.

- o Customer or provider at delivery Directly interfacing during delivery required.

- o If it is not taken then the service expires.

- o Example: A doctor's appointment missed; or an empty hotel room once it is gone, can't be "put aside" and used at a latter time.

sale.

3.3.4 Customization and Standardization

- Products

- o Products tend to be normalized –each of the same model has the same set of features, and performance.

- o Cost saving is great in mass production, but individualization is limited. Custom when it is available is usually more expensive.

- o Example: Each Toyota Corolla is identical so far as its engine goes, although certain aspects of features are personalisable.

- Services

- o Services are typically personalised; they rely heavily on the provider's expertise, customer behaviour and nature of the market.

and circumstances.

- o The transfer is hard since of the difference in efficiency and the customers assumption.

- o Example: Hair-cut or restaurant meal is customized to be customer-specific and can vary significantly from one instance to another.

3.4 Product Levels

3.4.1 Core Product

- The generic product is the basic benefit or service for which the consumer is searching.
- It is the not thing, but the nature of what you can solve with it.
- The customer never buys without the base product.

Examples:

- The buyer of a drill machine isn't buying the drill but the hole that him machine can make.
- When a student signs up for a university program, he's not purchasing courses but education, information and career prospects.
- A guest in a hotel is paying not for a room, but for rest and relaxation and comfort.

3.4.2 Actual Product

- The product itself is the physical embodiment in which the core benefit is presented and delivered.
- That is design, brand, features of the product, packaging and quality level that makes the product become real and identifies it.
- Customers evaluate tangible products by their characteristics and functionality.

Examples:

- In a car, the physical product is its brand (Toyota, BMW), design, engine capacity, safety features and style.
- In a smartphone, the physical product consists of screen size, processor, brand, apps, camera quality and design.

- What you're really buying in a hotel stay is room configuration, amenities, food and vibe.

3.4.3 Augmented Product

- Product augmentation includes additional services or benefits that exceed the core features.
- This is where firms create differentiation and competitive separation.
- Enhancement might include extended warranties, after-market servicing, delivery options, credit facilities, loyalty programs or enhanced convenience.

Examples:

- For cars, the augmentation is in the form of free service (and in some cases extended warranty), roadside assistance and finance offers.
- A smartphone purchase brings with it the prospect of free cloud storage, technical support and software updates.
- Hotel, by definition, adds with Wi-Fi and maybe concierge services or loyalty points—an upgrade, not a pass-through cost.

3.4.4 Potential Product

- The what-the-offering-could-become product is the product that could be there one day.
- Features of the product that are not in the actual product yet, but which might make it there someday.
- This level which will help companies to be competitive not only fulfilling customer needs but also predicting product and market trends.

Examples:

- They may transform into self-driving cars, flying cars or all-electric AI-integrated supercars.
- Smartphones might involve holographic projections, or be worn as wearables, or have brain-computer interfaces.
- Hotels could include robot service staff, VR-driven experiences or rooms managed entirely by AI assistants.

3.4.5 Examples Illustrating the 5 Product Levels

Let's illustrate using two everyday products — a **car** and a **smartphone**:

Product Level	Car Example	Smartphone Example
Core Product	Transportation	Communication & connectivity
Basic Product	Wheels, engine, seats	Ability to call and text
Expected Product	Comfortable seating, air conditioning, safety features	Touchscreen, internet access, quality camera
Augmented Product	Warranty, free maintenance, financing, insurance	Free apps, technical support, software updates
Potential Product	Self-driving features, electric engines, flying cars	Foldable screens, holographic display, AI personal assistant

Knowledge Check 1

Choose the correct option:

1. The core product of a washing machine is:
 - a) Brand name
 - b) Clean clothes
 - c) Warranty
 - d) Design

2. Which of the following refers to the tangible attributes of a product such as features and design?
 - a) Core product
 - b) Actual product
 - c) Potential product
 - d) Augmented product

3. Free delivery, installation, and after-sales service represent which level of product?

- a) Core product b) Actual product
c) Augmented product d) Basic product
4. A smartphone with future innovations like foldable screens and AI integration represents:
- a) Core product b) Actual product
c) Augmented product d) Potential product

3.5 Product Mix

3.5.1 Definition and Components of Product Mix

Definition of Product Mix

Product Mix Product mix (also known as product assortment) is the set of all product lines and items that a company makes available to its customers. It is a testament to the whole spectrum of products and services we offer in different markets and for all types of customer requirements.

Definition of Product Line

A product line is a group of products that are closely related either because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges.

For instance, in the model of Procter & Gamble's product portfolio, Oral-B is a brand system with an oral-care range encompassing toothbrushes, toothpaste and mouthwash.

Elements of the Product Mix

Width

- o Describes the variety of product lines that the firm sells.
- o Range of product range means participation across various segments.
- o Example: P&G has a product mix of beauty, grooming, health care, home and baby.

Length

- o Refer to total number of independent (or items) products the company has in all lines, obtained by summing these three first A M values.
- o It is to show the size and diversity of the whole range.

Depth

- o Indicates the number of different versions (i.e., sizes, colors, flavors) placed on the market for each product of a given product line.
- o It indicates how addressing narrower customer needs within a category suits a company.

Consistency

- o Relates to the proximity of product lines with respect to manufacturing, distribution channels, trademark or end use.
- o Highness of consistency generally symbolizes concentration strategy whereas lowness divergification

Example

Procter & Gamble (P&G) presents a wide variety of products.

- Range: Several categories (for example, hair care, oral care, laundry, baby care).
- Length: Many individual items of product in those lines.
- Depth: Things like Head & Shoulders in different scents and sizes.
- Product type: The overwhelming majority of the products belong to personal or household care, with poor consistency.

3.5.2 Product Width

- Definition: The count of the variety of product lines a firm offers.
- Importance: Wider breadth allows firms to capture different types of customers.
- Example: Samsung in an array of product lines including smartphones, TV's home appliances, semiconductors and wearables.

3.5.3 Product Length

- Definition: The total number of items a company carries across all its product lines.
- Calculation: If a business has 5 product lines, with each having 10 items, the length of the product is 50.
- Example: The products sold by Colgate-Palmolive in oral care, personal care and household cleaning categories are contributing to a long product length.

3.5.4 Product Depth

- What it is: The number of different versions of one product line.

- Consider: Flavors, sizes, colors, packaging, models.
- Example: Coca-Cola has depth in its line with Coke Classic, Diet Coke, Coke Zero, Cherry Coke, and various pack sizes.

3.5.5 Product Consistency

- Definitional: The proximity or interconnectedness of product lines in use, production, distribution etc.
- Close-knit: Products are similar.

Example: Amul sells milk, butter and cheese (all dairy product).

- Low Coherence: Items are different and unrelated to each other.

Example: ITC sells cigarettes, packaged food, hotels and stationery.

3.5.6 Importance of Product Mix Decisions



Figure 3.1

Market Coverage A well-calibrated blend enables cater to differing needs of the customers_done.

Spread Risk: The more the products, lesser is the dependency on one product.

Maximize Your Profit: Broad mix can expand the sales.

Brand strength A strong blend builds reputation and customer confidence.

Usability: Assists businesses in quickly responding to alterations in the demand and competition.

Production Promotion and Distribution Resource Optimization: Provides for an optimum distribution of production promotion and distribution resources.

3.6 New Product Development (NPD)

3.6 Relevance of NPD 3.6.1 Necessity and Significance of NPD

- **Evolving Consumer Tastes:** Consumers seek new, convenient value-added products.
- **Competition:** New products distinguish companies and offer an advantage.
- **Advancement in technology:** Innovation opens new doors for better offerings.
- **Saturation:** Mature products drift down; new ones hold up growth.
- **Margin Growth:** New products create new sources of revenue and add to the bottom line.

Example: The continuous release of new models of the iPhone by Apple makes it stay ahead and be profitable.

3.6.2 Stages of NPD

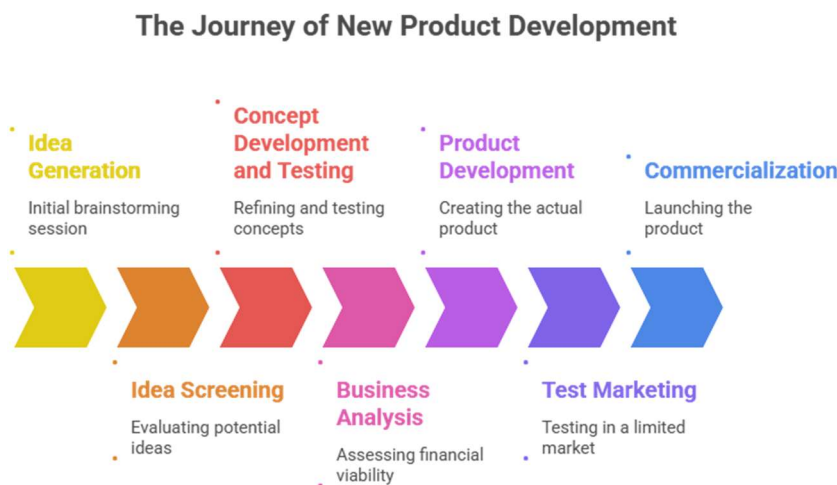


Figure 3.2

The process of NPD generally consist of the following steps:

Idea Generation

Idea Screening

Concept Development and Testing

Business Analysis

Product Development

Test Marketing

Commercialization

Each eliminates risks, reducing the chances of failure.

3.6.3 Idea Generation

- The first phase is the idea generation for new products.
- Sources: customers, employees, competitors, R&D, suppliers and market research.
- Types of ideas:
 - o Partial innovations (enhancements of existing products).
 - o Radical innovations (completely new concepts).

Example: Nestlé ideation on healthy snacks from customer health trends.

Did You Know?

“Some of the best product ideas come directly from customers. Companies like Lego and Starbucks actively invite customer suggestions for new offerings, turning consumer creativity into innovation. Crowdsourcing and feedback platforms help businesses generate fresh ideas while strengthening customer engagement and loyalty in the process.”

3.6.4 Idea Screening

- Process of separating viable, profitable ideas from ALL THE REST!
- Save wasted time and money on implements that just won't work.
- Requirements: technical feasibility, cost, market potential, fit with company strategy.

Example: A maker of cars could decide against development of flying cars if technology and costs are not yet viable.

3.6.5 Concept Development and Testing

- An elaborate description of the concept is shaping into a product idea.
- Trial is tested among potential consumers to evaluate acceptability and attractiveness.
- Aids in honing features before big bets.

For example: Samsung uses consumer focus groups to test concept designs of new smartphones.

3.6.6 Business Analysis

- Reviewing the economic and commercial soundness of the product.
- Estimations will be provided • Also added Demand- estimate Sales forecast Cost analysis Profit analyses
- Makes sure the product pays for itself.

Example: Amazon calculates costs and potential revenues before it introduces a Kindle device.

3.6.7 Product Development

- The concept is translated into a tangible prototype or proof of concept.
- Includes R&D, design and engineering process, production.
- By this point, investments surge.

For example, automobile-makers create prototype cars to crash test and safety-check and performance-test them.

3.6.8 Test Marketing

- A product is released to a small local or regional audience, then gradually expanded.
- Why: to evaluate consumer reaction, distribution and promotion.
- Aids in identifying risk and shortcoming.

Example: Coca-Cola tests flavors in a variety of markets ahead of a global launch.

3.6.9 Commercialization

- Commercial: this is then the final stage, when already the product has been started up in all market.

- Entails mass production, marketing campaigns and distribution.
- Dependence on advertising and logistics is heavy.

For example, Tesla's release of its electric car models following positive field trials around the world.

3.7 Product Life Cycle (PLC)

3.7.1 Definition and Importance of PLC

- Product Life-Cycle (PLC) o Definition: A theory that products have a life-cycle consisting of... to decline. The sales tendencies, profit potentials, competitive environs and promotional regime are distinct at each stage.

- Importance:

- o Helps firms plan marketing strategies.

- o Provides inputs to decision on investment, pricing, promotion and distribution.

- o Ways to decide when to innovate or discontinue a product.

- o Helpful in predicting probable future sales and earnings.

3.7.2 Introduction Curtain Raiser Characteristics and Strategy Characteristics :

- Product is introduced to the market.
- High costs of promotion as consumer awareness needs to be created.
- Low, or negative profits (intensive R&D and advertising).
- Stephen Witmer (ArtReal) Sales are slow, and the customer acceptance is uncertain.
- High risk of failure.

Strategies:

- Heavily advertised and promoted to raise awareness.
- Selective distribution for brand image.
- Penetration pricing (low price to lure customers) versus skimming pricing (high price to recoup costs fast).
- Educate customers about product benefits.

Example: Early electric vehicles had a high promotional burden and an ambiguous acceptance.

3.7.3 Stage of Growth – Characteristics and Strategy Characteristics:

- Sales rise rapidly, profits increase.
- Consumer acceptance improves, word-of-mouth spreads.
- Competitors enter the market.
- Market share expands.

Strategies:

- Improve product features and quality.
- Broaden distribution channels.
- Competitive pricing to counter rivals.
- Keep advertising, but differentiate more.
- Build strong brand loyalty.

For example: The smartphone took off with users around the world.

3.7.4 Maturity Stage's Characteristics and Strategy Characteristics of Maturity Page: 75

The following are the characteristics of maturity stage: I.

- Sales reach peak, growth slows.
- Market becomes saturated.
- Intense competition, price wars common.
- Profits start to decline.
- Customers become highly brand-conscious.

Strategies:

- Emphasize innovation to differentiate products.
- Provide discounts, special offers and online promotions.
- Modify packaging and features.
- Penetrate new markets or geographies.
- Emphasize customer loyalty programs.

Example : Soft drink is these stage where firms like Coca-cola and Pepsi are there facing competition with a brand based strategy.

3.7.5 Decline Stage – Characteristics and Strategy Characteristics:

- Sales and profits decline steadily.
- There is a mass shift in consumer interest toward a rival substitute or innovation.
- Companies cut back on advertising and distribution.
- Product can be taken off the market.

Strategies:

- Harvest (minimize cost, keep selling as long as profits last).
- Divesting (completely withdraw product).
- Focus on niche markets still loyal to the store.
- Innovate your way into a new product.

Example: DVD players fell victim to streaming services and contemporary digital storage solutions.

3.7.6 Tactics for Stretching the PLC

Firms frequently pursue extension strategies to extend maturity and forestall decline:

Product Alteration – Upgrades, better quality, packaging updates.

Market Development -Expand into a new geographic market or serve new customer segments.

Rebranding/Repositioning – Renew the old image of products for a younger or new audience.

Promotional Methods Advertising (Magazines, Newspapers) Celebrity Endorsements Seasonal Discounts 2.

Price Reinforcements – Promotional pack, price off packs etc.

Illustration: Maggi noodles expanded its PLC by adding new flavours and making more healthy products.

3.7.7 Criticism and limitation of PLC concept

Non-Applicability: The product life cycle does not necessarily apply to all products.

Elasticity: Lengths of stages differ considerably among products.

External Factors: Changes in the economy, technology or consumer behavior can shift stages unexpectedly.

Not an Exact Science: PLC does not predict, it describes.

Too Much Focus on Stages: Managers may incorrectly believe that products must go through every stage.

For instance, some products (such as Coca-Cola) stay in the maturity phase for years or decades while others drop quickly.

3.8 BCG Matrix

3.8.1 Introduction to Portfolio Analysis

- Definition: Portfolio analysis is a strategic management tool to determine the attractiveness and performance of an organisation's various business segments.

Purpose: Aiding in determining how resources are invested, prioritizing investments and decisions about what products/business units should be expanded, maintained or divested.

- Importance: Firms often have several product lines and need to maintain a blend of profitable/stable units, and risky/growth oriented units for long-term performance.

Example: A conglomerate such as Unilever oversees a variety of products — soaps, food and drinks — with portfolio analysis.

3.8.2 BCG Matrix: Meaning and Structure

- Created by Boston Consulting Group (BCG) in 1970s.
- A two-dimensional model based on:

Market to Growth Rate (High or Low) → indicator of industry attractiveness.

Relative Market Share (Higher/Lower) → measure of competitive strength.

- Classifies products/business units into four types: Stars, Cash Cows, Question Marks and Dogs.
- Visualized as a 2×2 matrix.

3.8.3 Stars, Cash Cows, Question Marks, Dogs explained

Stars

- o High growth, high market share.
- o Are expensive but also give a hefty return.
- o Future cash cows.

Example: Electric vehicles for Tesla.

Cash Cows

- o Low growth, high market share.
- o Make regular cash with minimal investment.
- o Backbone of company profits. Example: Microsoft Office products.

Question Marks (Problem Children)

- o High growth, low market share.
- o Need to invest a lot to maintain market share, but gamble.
- o Can become Stars or Dogs.

Example: Google smart home devices (early days).

Dogs

- o Low growth, low market share.
- o Weak competitive position, little profit.
- o Often candidates for divestment.

For example, DVD players on the market.

3.8.4 Strategic Implications for Each Category

- Stars: Invest to grow and earn a return, then (after many years) become Cash Cows.
- Cash Cows: The profits from milk are used to maintain leadership and fund other businesses.
- Question Marks: Scrutinize, either pour in serious investment to gain share or get out and save the cash.
- Dogs: Trim investment, take remaining profits or exit market.

3.8.5 Usage of BCG Matrix with Real Companies

- Apple Inc.
 - o Stars: iPhones (high growth, high share of premium smartphones).
 - o Cash Cows: MacBooks, iPads (saturated markets, dedicated users).
 - o Question Marks: Apple TV+ (growing market, wide open),
 - o Dogs: iPod (eventually discontinued).
- Unilever
 - o Stars: LOL, Sunsilk (personal care in emerging markets).

- o Cash Cows: Surf Excel, Lipton Tea.
- o Question Marks: Plant-based meat alternatives.
- o Dogs: Older names in soap (brands) on the wane.

3.8.6 Criticism of and Limits to the BCG Matrix

Too Simplistic: Market growth rates and market share are not the only drivers of success.

Static model : market changes, shock events and technological progresses were neglected.

Doesn't Show Synergy: Does not demonstrate how different products complement each other.

Most successful doesn't mean most profitable: Large market share can still be a poor strategy.

Short Term outlook: Promotes immediate cut in the case of Dogs with strategic potential.

Example: Some "Dogs" may yet develop brand loyalty or be a great lead-in product (e.g., PlayStation accessories).

3.9 Summary

⊗ Product refers to anything that can be offered by a firm for attention, acquisition, use or consumption in order to satisfy needs of consumers such as goods, services and ideas.

⊗ An offering of monetary and nonmonetary (in other words intangible) product is delivered by services.

Products vs. Services They vary in half a dozen ways, but the main differences are that services tend to be more intangible and have less clear ownership, whereas products tend to exist as real objects that can be seen and touched by their producers and consumers.

⊗ Levels of Product consists of core, actual, augmented and potential concepts that deliver added value.

⊗ Product Mix is the combination of product lines, which are classified in terms of width, length, depth and consistency.

⊗ New Product Development (NPD) is a systematic methodology for developing, testing and launching new products.

⊖ Product Life Cycle (PLC) describes stages through which products move— introduction, growth, maturity, decline supported by appropriate strategies.

⊖ BCG Matrix is a portfolio technique used to classify products into Stars, Cash Cows, Question Marks and Dogs which are then allocated resources.

3.10 Key Terms

Product- Anything that can be offered to a market for attention, acquisition, use or consumption and that might satisfy a want of need such as physical products, services etc.

Service: Service is an action that does not involve any physical or virtual object and serves another person without transferring the ownership.

Product Mix: The total offerings of product lines and items produced by a firm.

Product Life Cycle (PLC): The phases through which a product will move: introduction, growth, maturity and decline.

New Product Development (NPD): The creation, testing and launch of new products to the market.

BCG - An analysis tool that enables segregation of products into Stars, Cash Cows, Question Marks and Dogs.

Augmented product: The value added benefits and services (warranty, delivery, after-sales service) beyond the exact function of the product.

3.11 Descriptive Questions

Explain the meaning of product in marketing. Describe what it consists and its extent, with examples.

Brief about how do you classify goods? Give examples for each.

Differentiate between a product and a service in terms of tangibility, ownership, production-consumption time, and customizability.

Explain five levels of a product as per the view point of Philip Kotler with suitable examples.

What is a product mix? Describe its components (breadth, length, depth) and provide examples of each.

Describe New Product Development (NPD) stages and the role that they have in business.

Explain the concept of the Product Life Cycle (PLC). Describe the appropriate strategies for each stage with examples.

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Answers to Knowledge Check

Knowledge Check 1

1. b) Clean clothes
2. b) Actual product
3. c) Augmented product
4. d) Potential product

3.13 Case Study / Practical Exercise

The Role of Product Mix in Expanding Market Reach

Introduction

Product portfolio management is one of the basic responsibilities of marketing at any company. A good product mix does not only fulfil various customer requirements but it

spreads risk too and is profitable for the long term. Companies such as Unilever, Nestlé or Apple handle multiple productlines to satisfy the diverse tastes of their clients and be strong in domestic and international markets.

Background

A leading FMCG company offers categories as diverse as personal care to packed foods and beverages. Some can be cash cows, but some may falter because of competition. The marketing department needs to come up with what it wants in terms of product mix in the light of the product width, length, depth and consistency information.

The company confronts three urgent challenges:

Deciding which product lines to grow or shrink.

Balancing the innovation of new products with the profitability of current offerings.

Continue brand message consistency thru multiple product categories.

Problem 1: Product Width Decision as part of the following three problem Set it out-- Decision on product width Case with a decision at the beginning (determining value formula).

The firms wrestles with the question of whether to launch a new product line in health and wellness. This to a certain extent needs investment and analysis of the markets in order to anticipate demand.

Solution: Run customer surveys and carry out industry benchmarking to determine if health-oriented products would be compatible with ever changing consumer behavior.

MCQ:

What does product width represent?

- A) The number of versions of said item
- B) Quantity of products line is a company offering.
- C) Products in all the product lines.
- D) Degree of similarity between products

Answer: B) Line depth of a company's products

Problem Statement 2: Product Rollback, or Retaining Depth of Products

18 In its current product lineup, the company has very few flavors and pack sizes, leading to loss of customer interest.

Solution: Deepen appeal by adding flavors and healthy options in grab-and-go containers.

MCQ:

Which of the following is a good example of product depth?

A) Shampoo in 3 sizes and 4 scent choices

B) With several lines of products in cosmetics and food ndisticsistribuzione 31 The EU guidelines on vertical restraints although less strict than the US, prohibit distributors from selling to other EU members if the distributor has been appointed by a manufacturer.

C) Long list of unconnected products

D) Preserving balance across all brands

Answer: A) 3 sizes and 4 scent choices of shampoo for citizens.

Problem Statement 3: Balancing Consistency

Dairy products and stationery are both marketed by the company, and this is a set with mixed content. That creates obstacles around branding and distribution.

Solution: Determine whether to build on complementary activities or retain diversification for risk minimization.

MCQ:

What is the meaning of Product consistency?

A) Total number of products

B) Product-line relatedness degree

C) Variety of product models

D) Potential for market growth of the product


Answer: B) Extent of product line relatedness

Conclusion

A) Analyze the width, length, depth and consistency of an effective product mix management. It's by orienting strategy in the right direction according to customer needs and market jeopardy, then business can encompass growth and prosperity alongside a good brand image.

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Unit 4: Price

Learning Objectives

1. Defining the concept of price and explaining its role in the marketing mix.
2. Identify internal and external factors that influence pricing decisions (e.g., costs, competition, demand, regulations).
3. Differentiate between pricing objectives, such as profit maximization, market penetration, and survival.
4. Apply pricing strategies (e.g., skimming, penetration, value-based, cost-plus, psychological pricing) to various market scenarios.
5. Analyze demand and elasticity of demand to determine optimal pricing.
6. Evaluate the relationship between pricing and consumer perception, including the impact of psychological pricing.
7. Assess ethical and legal considerations in pricing, such as price discrimination, predatory pricing, and government regulations.

Content

- 4.0 Inventory Caselet
- 4.1 Introduction to Pricing
- 4.2 Pricing Approaches
- 4.3 Factors Affecting Price
- 4.4 Pricing Strategies
- 4.5 Pricing in Digital Markets
- 4.6 Summary
- 4.7 Key Terms
- 4.8 Descriptive Questions
- 4.9 References
- 4.10 Case Study

4.0 Inventory Caselet

FRESHCART, a fast-growing urban online grocery delivery platform promised to offer the convenience, speed and price. In the beginning, it lured thousands of users with steep promotional pricing — free deliveries, discounts on first orders, “buy-one-get-one.” It didn’t take long, however, for FreshCart to start racking up a high bill in expensive operations and shrinking profits despite the increased number of customers.

The company’s pricing team had come to understand that discounts may help drive customer acquisition, but they also created a price-sensitive consumer group. Users started to desert for the benefit of stronger deals at competitors, demonstrating very little loyalty. In response, FreshCart added a subscription tier with benefits like free deliveries, express service and early access to sales.

Meanwhile, FreshCart introduced the dynamic pricing model, where it hikes up delivery fees during rush hours or lousy weather. This step was taken to maximize resources and reduce demand, but customer loyalty against brand took a hit. Then complaints about “unfair pricing” and a lack of transparency started impacting brand trust.

Now the management is caught in a bind, of how to keep customers without hurting its bottom line and while still being trusted by consumers who have plenty of options in the digital age.

The story of FreshCart’s pricing is a perfect illustration of how the razor thin balance between customer demands, operational requirements and pricing strategy lands up in the digital-first world. Value creation, customer psychology, and ethical pricing As digital companies scale will mature as their operations expand.

Critical Thinking Question

What can digital platforms such as FreshCart do when employing their pricing strategy to cultivate sustainable customer trust without overly relying on discounting or risking that some users perceive unfairness?

4.1 Introduction to Pricing

4.1.1 Meaning and Definition of Price

Price is the sum charged in exchange for ownership or use of a product or service. It's the only element of the marketing mix that has created revenue, and product, place promotion) all require cost".

The price in economics is the equivalent exchange value of a commodity or service expressed in terms of money. In marketing, price is indicative of more than cost recovered: it also indicates customer value, competitive position and strategic intent.

Definitions by scholars and institutions:

- Price- According to Kotler, “ Price is the sum of values that consumers exchange for the benefit of a good or service.
- Price - The monetary value of a product as established by supply and demand is a quintessential part of the marketing mix. * Definition/meaning according to American Marketing Association “Price is the formal ratio that summarizes the total cost charged for a product or service or the sum of values that consumers exchange for the benefits of having or using the product or service*.”

Therefore, price is both an indicator of value and a significant factor driving consumer decision making.

4.1.2 Importance of Pricing in the Marketing Mix

Pricing is an important part of the marketing mix, it determines, on one hand how we position a product in the market and on the other price point at which we make some money.

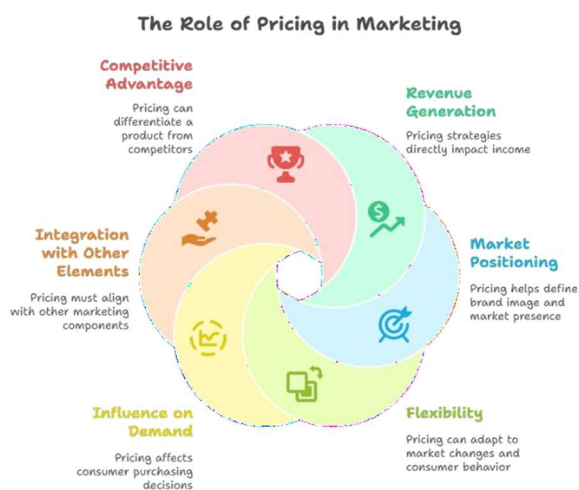


Figure 4.1

Revenue – Price is the only thing that money comes in for to an organization, all other things are just costs.

Market Positioning - Price affects the perception of product in the mind of consumer, such as high quality or low quality.

Flexibility: Prices can rapidly change in response to changes in the market, unlike product attributes or distribution channels.

Effect on Demand – Price has an impact on demand, with lower prices likely to lead to higher sales and higher prices likely to restrict them.

Integration with Other Product Decisions – Pricing decisions interact with decisions on marketing strategies (e.g. luxury item should be priced under the category of prestige pricing) and distribution dimensions (e.g. discount items are sold through mass seller/departmental stores).

Competitive Edge – The right pricing strategy can keep a business afloat and moving forward in the challenging marketplace.

4.1.3 Objectives of Pricing

Pricing goals The pricing objectives are in line with the overall company's objectives. Certain objectives that are more popular include:

Maximization of Profits – Establishing a price, which results in maximum profits.

Sales maximization – Lowering price to increase sales and market share.

Market Penetration – New product is brought at very low price to draw customers and compete in the market.

Market Skimming – Introducing a new product at a high cost, often used to recoup R&D and marketing expenses, is also typical of technology products.

Survival – In difficult market conditions, firms may fix prices at a level that only recovers operating costs.

Customer Value – Pricing set to match the perception of value and not just the cost of production.

Discouragement of Competition – Making it difficult for new comers by not allowing high prices or maintaining competitive ones.

4.1.4 Role of Price in Consumer Decision-Making

Price is a key determinant of consumer behaviour and purchasing decisions.

Quality Signalling – If product information is sparse, consumers may use the price as a proxy for assessing quality.

Price = The determining factor of whether a consumer can afford something or not.

Psychological Influences – Shoppers are responding to pricing strategies, including “99” prices, which I like to use the.PAD (psychologically adjusted dollar).

creates a perception of affordability.

Comparison Tool- With in competition market, consumer compares the prices of similar products before making a purchase.

Perceived value – The benefits of the offering compared to the price charged.

Therefore, price is both rational and psychological in the consumer decision making.

4.1.5 Price as a Competitive Tool

Price is one of the most effective tools for competition in the marketplace.



Figure 4.2

Market Share Gain – Companies can gain business by lowering prices and further penetrate the market.

Differentiation – High pricing can depict value, exclusivity and luxury while low prices are used for price-sensitive customers.

Price Wars – Firms within an industry with intense competition may go to war in terms of price to gain customers, although this generally means less profit.

Dynamic Pricing – Companies (particularly in e-commerce and airline sectors) alter their prices depending on demand, timing, and competition within the market to stay competitive.

Promotional Pricing – This strategy is used to capture market share and stimulate sales by offering discounts, bundling products/pricing and utilizing seasonal offers.

Barrier to Entry – Rival firms are discouraged from marketplace entry by strategically pricing existing businesses.

Did You Know?

“Companies often use price as a powerful competitive tool. For example, airlines and e-commerce firms apply dynamic pricing, where prices change in real time based on demand and competition. Luxury brands, however, use premium pricing to signal exclusivity, showing how price strategies shape both competition and consumer perception.”

4.2 Pricing Approaches

4.2.1 Cost-Based Pricing: Definition and Types Definition:

What is cost-based pricing: Meaning There are different ways by which the price at which a product or service is offered for sale in the market place can be set. It keeps the company whole by paying for overhead and providing a profit margin.

Types of Cost-Based Pricing:

Cost-Plus Because – A price is created by adding a certain agreed upon fixed percentage (a mark-up) to what it costs to produce the good.

Markup Pricing – Like cost-plus but commonly used in retail where a fixed markup is added to the wholesale price of an item.

Break-even Pricing – Price levels are based on costs and the total revenue at this point is equal to total cost; resulting in a break-even situation, that is, zero profit or loss.

Target Return Pricing – Prices set to achieve a desired return on investment or assets.

4.2.2 Competition Based Pricing: Meaning and Applications 10 Meaning:

Predatory pricing The practice of setting the price primarily based upon that of the competitions, as opposed to the true supply and demand costs. The aim is to stay competitive, in the market.

Applications:

OB Making Prices – Looking at what the competition is selling their products for and then just matching that price.

Price Leadership – Here, a dominant firm sets the price and smaller firms in the industry match.

Tender/Sealed-Bid Pricing – Generally seen in contracts and jobs that companies are bidding on or competing against each other to win.

Price Adjustments - Firms change prices to maintain market share.

4.2.3 Value-Based Pricing; Customer Perceived Value Concept:

VALUE BASED PRICING This method bases the price on how much value or benefit to the customer is provided by the product, rather than on its cost – e.g. Hegarty's Qualitair. The price is one that customers are willing to pay, for what they perceive as the benefits.

Key Aspects:

- It calls for knowing customers' needs, wants and demands.

- It often relies on branding, quality and differentiation to justify higher prices.
- The strategy is common with luxury goods, cutting-edge technology and specialized services.

4.2.4 Advantages and Limitations of Each Approach

Approach	Advantages	Limitations
Cost-Based Pricing	Simple to calculate; ensures cost recovery; guarantees profit margin.	Ignores customer perception; may lead to uncompetitive prices.
Competition-Based	Useful in competitive markets; reduces risk of overpricing or underpricing.	May neglect cost structure; dependent on competitors' strategies.
Value-Based Pricing	Aligns price with customer value; can generate higher profits; builds loyalty.	Requires deep customer research; risk if perceived value is misjudged.

4.2.5 Choosing the Right Pricing Approach

There are multiple considerations when deciding on the appropriate pricing mechanism:

Type of Product –Necessity goods/services could adopt cost-based, and luxury goods/services value based pricing.

Market Competition – In competitive markets, competition oriented pricing might be the strong option.

Customer Perceptions – If the customer values quality or brand, value based pricing is best.

Business Objectives -The objective like profit maximization, survival, market penetration determines the selection.

Industry Norms – There are a few sectors that operate on standard pricing structure, in such cases you may find some guidance.

Business too, may take a mixed approach assessing costs for lowest price, competition for market alignment and customer value in the case of premium pricing.

4.3 Factors Affecting Price

4.3.1 Internal factors – Costs, objectives, product life cycle .

Price – The price is often directly determined by production cost. By definition, a business needs to cover its fixed costs (rent, salaries of employees, the machines it has bought or leases) and variable ones (raw materials, packaging, delivery). And, of course, prices are always set above cost to make a profit.

Objectives – The pricing of a company will be under the influence of objectives to be achieved like increase in profit, market penetration, survival and customer loyalty. Different goals result in different ways of pricing.

Product Life Cycle (PLC) – Price changes as a product moves through its life-cycle:

- o Introduction – where penetration pricing (low) or skimming pricing (high).
- o Galaxycover: Price penetration may be used in the growth stage to establish market share.
- o Maturity: Competitive price cutting is used to maintain market share.
- o Decline: for clearance in the case of excess inventory, prices can be cut.

4.3.2 External Factors: Market Demand, Competition, Economic Conditions

Demand in the Marketplace – Demand itself influences prices. The higher the demand, the more users are willing to pay for a product or service - low demand may merit low prices. How much a change in price affects sales is also determined by demand elasticity.

Competition – Firms often react to competition by matching or otherwise adjusting prices. A company can cut-prices below competitors, price in line with competitions or even set a higher price so they can position its products as high quality.

Economic Situation – The inflation, interest rate and economy in general may influence the purchasing power of buyers. During an economic downturn, businesses may drop their prices to offer deals, while during a bullish market they can raise them with increased consumption.

4.3.3 Legal and Ethical Considerations

Pricing decisions should adhere to legal and ethical practice:

- **Price Fixing:** An illegal practice in which competitors agree to set prices.

- **Predatory Discounting:** Selling at absurdly low prices to push out rivals is immoral and usually actionable.
- **Discrimination:** Discrimination by charging one buyer a higher price than another, without valid reason, may be legally constrained.
- **Consumer-Protection Laws:** Rules against deceptive pricing, hidden fees and misleading discounts.
- **Ethics:** More than just laws, companies are supposed to price fairly, keeping products affordable instead of preying on consumers.

4.3.4 Consumer Behaviour and Price Sensitivity

- **Price Sensitivity (Elasticity):** Members differ in their sensitivity to prices. One clue to the relative balance of customer sensitivities is anecdotally what happened when during 2020 a small number of prices did go up: Price sensitive customers started to look elsewhere while less sensitive ones generally stuck with their supplier.
- **Value:** Consumers assess whether the price is commensurate with the value or quality of the product.
- **Psychological Influences:** Consumers are swayed by tactics like charm pricing (\$9.99 instead of \$10).
- **Brand Loyalty;** Customer loyalty may lead to decreased sensitivity, enabling higher pricing from firms.
- **Social and Cultural Elements:** In a few cultures, higher price is an indicator of prestige and status.

4.3.5 Distribution Channels and Pricing Flexibility

- **Middle men play their role:** Then there are middle men who include distributors, wholesalers and retailers put surplus margins on the prices creating an impact in selling price. In general, longer distribution chains result in higher prices.
- **Channel Strategy:** Direct-to-consumer strategies (e.g., internet sales, or other point-of-sale delivery mechanisms) can lower the cost and provide opportunity for competitive pricing.
- **Geographical variances:** Costs may fluctuate based on shipping, regional need and distribution costs.
- **Flexibility –** There could be scope for the companies to give flexibility such that distributors can give discounts or set price to local market condition and so on, giving them more autonomy in return of maintaining a certain overall pricing approach.

“Activity”

“List five products of your choice (e.g., smartphone, soft drink, clothing, furniture, airline ticket). For each product, identify **one internal factor** (e.g., cost, objectives, product life cycle) and **one external factor** (e.g., demand, competition, economy) that could affect its price. Discuss your answers in small groups.”

4.4 Pricing Strategies

4.4.1 Skimming Pricing

What it Is: Skimming pricing is a tactic in which an item is launched at a high selling price to recoup costs quickly from initial buyers who are less sensitive to price. With time, the price is decreased slowly for to get more price sensitive customers.

Key Points:

- Typically applies to breakthrough or high-tech products.
- Aids in immediately recouping the high cost of research and development.
- Appropriate in markets with low initial competition.
- Risk: High costs may invite competitors and curtail long-term demand.

4.4.2 Penetration Pricing

Wikipedia definition: Penetration pricing is a marketing strategy used by businesses to attract customers to a new product or service. Prices can then be raised up as awareness of the market grows.

Key Points:

- Useful in highly competitive markets.
- Stimulates customer trials and promotes brand loyalty.
- Disincentivizes new entrants by raising the barriers to entry.
- Risk: Temporary low pricing might mean short-term profits are lower.

4.4.3 Psychological Pricing

Meaning: Psychological pricing is a method of considering consumers' emotional response to prices, or the prices that will make consumers feel more willing to buy.

Examples:

- Charm Pricing: Offering something for \$9.99 rather than \$10.

- Prestige Pricing: Charging more to create an image of luxury or quality.
- Reference Pricing: Showing a higher “original price” alongside a discount price.

Key Points:

- Has a very powerful impact on how consumers perceive and make decisions.
- Strongest in retail and consumer goods.
- Risk: Overuse may reduce credibility.

Did You Know?

“Psychological pricing can significantly influence buying decisions. Studies show that prices ending in “.99” increase sales because consumers perceive them as cheaper. Similarly, prestige pricing, where higher prices signal luxury, can boost demand by creating an image of exclusivity and status.”

4.4.4 Promotional Pricing

Definition: A short-term, temporary reduction in the price of an article or product with the goal of stimulating sales and increasing profitability.

Examples:

- Discounts and sales events.
- Buy-one-get-one-free (BOGO).
- Seasonal or festival offers.

Key Points:

- Effective for short-term sales boosts.
- Creates buzz and a sense of urgency with customers.
- Risk: Customers will hold out for discounts and then never end up valuing the product.

4.4.5 Bundle Pricing and Optional Product Pricing

Bundle Pricing:

- o Products are bundled together and sold at a single lower price than if purchased separately.
- o Examples: Meal deals for fast food, bundling of software.

- o Raises perceived value and allows for higher ticket sales.

Optional Product Pricing:

- o Base product is purchased at a base price, and optional add-ons are available for incremental charges.

- o Example: Airlines (they charge you to take your bag and eat a meal); cars.

- o Creates additional versatility and income choices.

4.4.6 Dynamic Pricing and Surge Pricing

Dynamic Pricing:

- o Prices are now updated in real-time taking into account demand, supply and customer behaviour.

- o Typical of e-commerce, hotels, airlines.

- o Data-driven, often using algorithms.

Surge Pricing:

- o A product where the cost goes up greatly when more people use it a lot.

- o Popular in ride-hail industry (e.g., surge pricing during peak times).

- o Maximizes revenue, however, creates customer dissatisfaction if viewed as unfair.

4.5 Pricing in Digital Markets

4.5.1 Introduction to Online Pricing Models

- Digital markets favor models for data-based pricing, as opposed to fixed or conventional.

- They can quickly gather information about how consumers behave, what competitors are charging — and then adjust their own prices.

- Scalable pricing varieties can be tested and adapted more easily, experimenting at the same time with many methods in online models.

- Common approaches include:

- o Pay-per-use – charges based on what users consume only.

- o Subscription – ongoing payments in return for continued access.

- o Freemium – free in its most basic version with optional fees for more features.

Digital platforms like online retailers and streaming services fold flexible pricing into their tools to reel in all comers.

4.5.2 Dynamic and Real-Time Pricing

- **Dynamic Pricing:** The practice of setting prices based on demand, supply, time, & consumer behavior.
- **Real-Time Pricing:** The ability to change costings instantaneously via algorithms, typically updated in seconds.

Examples:

- Airlines adjusting the price of a ticket several times a day.
- Hotels that increase prices during peak travel times.
- Ride-hailing apps (such as Uber) increasing fares at times of high demand (surge pricing).

Advantages:

- Optimizes revenue by setting price in line with demand.
- Maintains competitiveness of businesses in rapidly changing markets.
- Utilizes customer willingness to pay.

Disadvantages:

- Could possibly provoke frustration from consumers if prices are changing too frequently.
- May be seen as unfair, especially during emergencies or peak periods.

4.5.3 Freemium, Subscription, and Pay-Per-Use Models

Freemium Model

- o Free basic version, to access advanced functions you must pay.
- o Examples: Zoom (free calls with capped use), Dropbox (base storage free, more size costs).
- o Pros: Wide user base, Easy entrance with many options for beginners.
- o Downside: Very few typically convert into paying customers.

Subscription Model

- o Customers pay weekly, monthly or annually.
- o Examples: Netflix, Spotify, Adobe Creative Cloud.
- o Advantages: A predictable revenue flow; creates customer loyalty.

- o Challenges: If perceived value decreases, client may opt out.

Pay-Per-Use Model

- o Billing is done on usage or consumption.
- o Examples: Amazon Web Services (cloud computing), power or mobile data.
- o Pros: Equitable for patrons; expandable for operators.
- o Downsides: You never know when there is more consumption coming so cash flow can be all over the place.

4.5.4 Price Transparency and Comparison Tools

- Prices are highly visible and highly comparable in digital markets.
- Web-based comparison services and apps (e.g., Skyscanner, Google Shopping, PriceGrabber) enable buyers to compare multiple sellers instantly.
- Advantages for Consumers:
 - o More advantageous offers and buying confidence.
 - o Informed decision-making.
- Challenges for Businesses:
 - o Lower possibility of charging a premium price, unless providing differentiated features.
 - o Stronger competition and companies having to differentiate through service, quality or brand image.

4.5.5 Personalization and Algorithm-Based Pricing

- Pricing is becoming more artificial-intelligent and data-driven.
- Algorithms consider:
 - o Purchase history.
 - o Browsing behavior.
 - o Location and demographics.
 - o Time of search.
- Examples:
 - o E-commerce applications advising for loyalty based discounts.
 - o Personalized subscription deals from streaming services.

- Benefits:
 - o Prices match willingness to pay.
 - o Increases sales conversion rates.
 - o Strengthens customer relationships.
- Challenges:
 - o Can create ethical, and fairness issues if customers learn there are different prices for the same item.
 - o Requires strict data privacy safeguards.

Knowledge Check 1

Choose the correct option:

1. **Which pricing model offers basic services free but charges for advanced features?**
 - a) Subscription
 - b) Freemium
 - c) Pay-per-use
 - d) Dynamic

2. **Which pricing adjusts automatically based on demand and supply?**
 - a) Fixed
 - b) Dynamic
 - c) Bundle
 - d) Optional

3. **Which tool allows customers to compare prices across sellers instantly?**
 - a) Algorithms
 - b) Coupons

- c) Price comparison sites
- d) Loyalty points

4. **Which approach sets different prices for different customers using data?**

- a) Value pricing
- b) Personalized pricing
- c) Cost-plus
- d) Skimming

4.6 Summary

⊗ Price discussed how much of something factor (or other) units must be given in order to consume something positive or zero.

⊗ The cost is critical in the position of product and effects perception of consumer.

⊗ Price Objectives are – profit maximization, market penetration and survival and discourage the competition.

⊗ Price plays a major role in consumer decision-making and is considered by many as the most important tool in competition.

⊗ Pricing strategies consist of cost, competition and value based approaches.

⊗ Determinants of pricing : Factors which account for the price determination are internal factors (costs, objectives, product life cycle) and external factors (demand, competition, economy).

⊗ The legal, ethical and consumer behaviour also impact on pricing strategies.

Common pricing tactics are skim, penetration, psychological, promotional, bundle and dynamic pricing.

⊗ Digitized marketplaces are using business models such as freemium, subscription based, usage / pay-as-you-go fee-based structures, value-based pricing and dynamic & personalized pricing.

⊗ This modern-day pricing is revolutionized through price transparency and use of algorithmic basis model.

4.7 Key Terms

Price – The money a purchaser pays to buy a product or service.

Pricing Strategy – A deliberate approach that companies use to establish product prices with the intention of achieving certain goals.

Cost-Based Pricing – Deciding the selling price by adding a margin to the production cost.

2. Resource-based Pricing Method: Prices are calculated according to the perceived value to customer rather than cost of production or competition.

Dynamic Pricing – Pricing that is varied according to the level of demand, competition and market conditions in real-time.

Price Elasticity of Demand – The extent to which consumers demand varies as a result of price variations.

Order NOW Penetration Pricing: Is a pricing strategy of setting low prices in the beginning to gain market share rapidly.

4.8 Descriptive Questions

Describe the significance of pricing to the marketing mix and in revenue production.

Explain the main objectives of pricing and give examples for each one.

Explain the various pricing methods (cost, competition, and value) including specific advantages and disadvantages of using each one.

Discuss how both internal and external factors can influence a business's pricing decisions.

Describe What is meant by Physical pricing? And how does it affect consumer behavior?

Explain the different pricing strategies such as skimming, penetration, and promotional pricing with suitable examples.getOutputStream()).

Analyze the distinct pricing models of digital markets: freemium, subscription, pay-per-use and dynamic pricing.

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Answers to Knowledge Check

Knowledge Check 1

1. b) Freemium
2. b) Dynamic
3. c) Price comparison sites
4. b) Personalized pricing

4.10 Case Study

Pricing Strategies of a Food Delivery App in Digital Markets

Introduction

Dynamic Pricing (and price itself) has become an increasingly competitive focus in digital businesses. Food delivering companies have to survive in a cut-throat competition where pricing is a major factor for acquisition and retention of customers. Zomato, Swiggy etc along with the various other food delivery start-ups which had mushroomed across metros as well as tier-2 and 3 cities ultra-margin business: Up till now all these online aggregators never really managed to gain any meaningful traction until they started offering mouth-watering discounts and offers. With increasing customer expectations and changing market dynamics, these firms rely on various pricing models such as discounts, surge pricing and subscriptions.

This case further discusses the use of pricing strategies in digital markets, trade-offs between profits and affordability, and the limits of technology when it comes to establishing prices.

Background

Food delivery companies are now confronted with the double-edged sword of:

- Customer retention: Customers are price sensitive and can easily jump from app to app based on discounts and offerings.
- Price pressure: high operating costs (Delivery, commissions and promotion) leave no sustainable capabilities to price the product.

Market Competitions: High Competition with the presence of many players causing frequent price wars.

To handle these, the companies are experimenting with:

- Dynamic Pricing: Increased premiums for delivery in peak hours.
- Marketing Price: Discounts, coupons, and “buy-one-get-one” pricing.
- Memberships: Premium memberships that include free deliveries and exclusive deals.

Issue 1: Too Much Reliance on Pricing Incentives

Frequent sales bring people out but damage long-term profitability. Consumers want deals all the time, rather than sporadically — making it hard for companies to raise prices.

Solution: Add loyalty programs and value-added services (like priority delivery, or member-only restaurant access) in addition to steep discounts.

Problem 2: Surge Pricing and the Backlash From Consumers

High demand surge pricing inevitably leads to dissatisfaction from consumers who believe such a practice is unfair. Solution: Be more transparent by displaying reasons for price increases (traffic, demand spikes, availability). Provide other possibilities like self-collection for the cheaper price.

Issue 3 Balancing Subscription Models and Profitability

Customer subscription plans can be profitable in the long term, but not if the price of those services is too low given what you are offering on them.

Solution: Segment the users and have a classic, premium and elite subscription plan with features related to the intensity of use for what they like.

Discussion Questions

"how food delivery platforms can effectively balance affordability and pricing for profitability?"

To what extent is technology (AI, algorithms) involved in real-time pricing?

Does consumer fairness perception influence the acceptance of surge pricing?

Do companies need to prioritise value and not discount to drive long term growth?

Conclusion

In online markets, pricing is more than a financial decision - it is also used as an instrument to create trust and a source of competition. For food delivery companies, this new reality requires a holistic approach – one that leverages discounts, surge pricing and volumes to grow the customer base whilst also investing in personalization, loyalty programs and customer value to drive sustainable growth.

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Unit 5: Place

Learning Objectives

1. Define the concept of "place" in both physical and human geography, or in terms of product distribution in marketing/business contexts.
2. Analyze how the characteristics of a place (e.g., location, climate, population, culture, or infrastructure) influence human activity and economic development.
3. Evaluate the impact of globalization and technology on the significance and changing roles of places in local, national, and international contexts.
4. Identify and explain different methods of product distribution (in marketing: direct, indirect, online channels, etc.) and how "place" affects customer access.
5. Compare urban and rural places in terms of land use, population density, services, and quality of life.

6. Interpret spatial data and maps to explain how and why different places are used and valued differently over time.

Content

- 5.0 Introductory Caselet
- 5.1 Introduction to Place
- 5.2 Concept of Distribution Channel
- 5.3 Channels for Consumer Products
- 5.4 Channels for Business Products
- 5.5 Online vs. Offline Retail Strategies
- 5.6 Factors Affecting Channel of Distribution
- 5.7 Summary
- 5.8 Key Terms
- 5.9 Descriptive Questions
- 5.10 References
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5.0 Introductory Caselet

About Urban Roots Market is a little organic grocery store nestled in a quiet residential area. It has always been successful catering to health conscious families in the area with fresh local produce and eco-friendly products. Through word of mouth and neighborhood loyalty, sales remained steady for a few years.

But business started to slow as large supermarket chains and online grocery apps began to offer similar organic products with the convenience of home delivery. The owner, Ms. Aditi, was worried - despite being competitively priced and highly quality product driven, for some reason less people seemed to be walking through the door of her brick-and-mortar store.

Aditi realized that from the advice of a local businessman, "Place" was about more than just location.

making the goods easily reachable for patrons. Armed with this knowledge, she began making a number of adjustments:

- Teamed with a local delivery startup to provide same-day delivery within 10 kilometers.
- Opened a weekend pop-up stand at a popular city park to draw in a younger, more mobile crowd.
- Developed an accessible online ordering system with options for pick-up and delivery.

In under six months Urban Roots nearly doubled online and in-store sales. Customers welcomed the easy to their favorite products, and the business recaptured its competitive stance.

Critical Thinking Question

Why did Ms. Aditi need to reassess the "place" strategy for Urban Roots Market, and how did her rethink.

distribution options reflect evolving customer preferences?

5.1 Introduction to Place

5.1 Meanings and Role of Place in Marketing

"Place" in the marketing mix is the process and activities that should be followed to give consumers access to a product or service at the time, place, and quantity they desire. It covers the whole of the distribution above point of consumption.

This element of the marketing mix (Product, Price, Place, Promotion) is referred to as either "distribution" or "placement" with an emphasis on ensuring that a business always has its products readily available to consumers wherever and whichever way they would like to purchase them.

Place's function is more than just the physical distribution. It also involves:

- Choice of distribution channel: The decision on whether to sell indirectly (to use intermediaries such as wholesalers, retailers, agents) or directly (the firm sells its products direct customers through own owned channels – websites, stores).
 - o Example: Apple sells through its own website and exclusive Apple Stores (direct), as well as through authorized chains such as Best Buy or Reliance Digital (indirect)
- Design and management of channels: The number of intermediary levels (0-level, 1level, multilevel) to use.
 - o Amul practices a multi-level channel comprising of its distributors, wholesalers, and retailers to reach smallest towns and villages by providing its dairy products.
- Logistics and supply chain management: The business of getting goods from factories to customers—the transportation, warehousing, inventory control, and order shipping.
 - o Example: Amazon uses a complex supply chain model and warehouses to make possible same or next-day delivery in many areas.
- Site strategy: Planning the most convenient sites for stores by analyzing customer demographics and existing competition.
 - o Starbucks: Starbucks chooses the location for its café in busy spaces of cities; so, it is feasible to working people and also students.
- Customer convenience: Making it easier for consumers to find, evaluate and buy a product.
 - o Ex: Flipkart and BigBasket have spent on mobile applications and easy-to-use interfaces to enable this quick-shopping experience of groceries or any product at home.

A well-designed Place strategy adds value to a company's product or service and contributes to the strategic positioning of the brand. It even has a direct impact on the satisfaction of the consumer, since convenience and accessibility are also key elements in consumer choice.

5.1.2 Importance of Distribution in Value Creation

There is value chain, and there is distribution. It does not add value by transforming the nature of the product but by placing that product in such a form that it can be accessed by, and delivered to, the customer as effectively and efficiently as possible.

There are several ways in which distribution creates value:

Time Utility: The Product is available when the customers want it.

Place Utility: The products are available where the target market buys.

Possession Utility: Markets permit the exchange of rights of ownership or use from seller to buyer.

Service Utility: Some channels of distribution may offer extra services like after-sale service, installation and financing.

It helps businesses loosen the friction between creation and consumption so that goods can get to customers with less effort, time and resistance. For example, a consumer electronics brand that delivers quickly and has service centers available generates more value than one with slow shipping and few physical locations.

From there distribution has effects on various parts of business operation and finance in general:

Inventory management: Efficient distribution mitigates overstock and stockouts.

- **Economical:** Efficient logistics can reduce transportation and storage costs.
- **Scalable:** There are powerful distribution systems that enable businesses to scale into new markets.
- **Customer coverage:** A good distribution network gives a brand reach and market penetration.

In such competitive markets, businesses that take a more strategic approach to their distribution can provide a much superior customer experience and retain the customers for longer time while building brand loyalty.

5.1.3 Evolution of Place/Distribution Concepts

The “Place” or distribution has evolved dramatically due to technology, consumer expectation and globalization. This progression is indicative of the way businesses evolve to better serve market needs.

Traditional Distribution

The sale of goods initially involved direct producer sales or, in the case of small-scale production, individual merchants who would buy and then shop these goods. Such systems suffered from geographic, transportation and communication constraints.

The retail trade and the local dealers constituted the vast majority of distribution, and ties between staff within a manufacturing company were usually built on many years of exclusive contracts with their channel partners. Inventory management was mainly manual, and few opportunities existed for tracking or customer interaction in real time.

Expansion of Intermediaries

With the expansion of markets and increasingly complex supply chains, specialized intermediaries—wholesalers, agents, brokers, logistics companies—arose. The networks have also extended across territories and markets.

It was these times in which the multi-channel distribution became more widespread, as producers had to reach their consumers through a retailer, catalogue telemarketing and even field selling. Companies had to invest more in channel conflict resolution, coordination and motivation of their channel partners.

E-Commerce and Digital Platforms

This is the period in which we saw a digitization of distribution happening during the late 20th and early 21st centuries. E-commerce giants such as Amazon, Flipkart and Alibaba allowed firms to sell goods directly to consumers disregarding the need for traditional retail infrastructure.

The Internet eliminated the distance barrier so that small businesses gained access to global market. The rise of the consumer's power to choose when, where and how they buy. This was followed by digital logistics solutions, payment gateways, last-mile delivery and returns management for online retailers.

Omnichannel and Integrated Distribution

The new era of distribution is based on an omnichannel approach to marketing that sees companies blend physical and digital channels so they appear as one unified customer experience. Consumers now expect to:

- Shop products online and pick up in-store
- To order online and pick up at a local store
- Easy returns in your fav products via any mode

This kind of integration relies on real-time insight into inventory, centralized data management and sophisticated analytics to forecast demand and shape supply chains. On a big-picture level, distribution is not thought of as purely a back-end activity anymore—the nuts and bolts have made their way into customer experience strategy.

5.1.4 Place as a Strategic Marketing Element

In today's marketing world, "Place" has grown from an operational concept to a strategic factor that significantly impacts upon a company's competitive edge, market share and brand credibility.

Place decisions require that a consideration both external and internal issues affecting the company be taken into account, such as customer preferences, cost considerations, channel systems capabilities and competitive responses.

Some of the important strategic decisions in "Place" are:

Channel Design

Firms have to choose between direct distribution (i.e., company-owned stores or websites) and indirect distribution (i.e., third party such as retailers, agents, and distributors). Each option has implications for:

- Control over customer experience
- Speed of delivery
- Cost structure
- Data ownership

Some are hybrids — they sell directly online but also have relationships with third-party stores.

Distribution Intensity

Marketers need to decide the level of market coverage that is appropriate for brand and product type:

- Extensive Distribution: Manufacturers try to place their products in as many outlets (like super markets) as possible.
- Selective Distributio: Only a small number of selected outlets sell the product (e.g., electronics or clothing).
- Exclusive Distribution: Items at the offering end are only sold in one or very few location (e.g luxury products).

Both tell a different brand story and impact customer perception of the product's availability and exclusivity.

Channel Partner Relationships

Strong relationships with distributors, wholesalers and retailers are critical. This includes:

- Setting performance expectations

- Providing training and support
- Offering incentives and co-marketing initiatives
- Managing conflicts and aligning goals

Strategic cooperation with partners that led to improved goods visibility, brand display, and response efficiency to the market.

Technological Integration

Contemporary place strategies integrate technology to drive performance and transparency. Examples include:

- Warehouse Management Systems (WMS): Enhance storage optimization, inventory traceability, and order accuracy.
- ERP (enterprise resource planning) systems: Automate all the core aspects of your business including purchasing, inventory and distribution for greater cohesion.
- Customer Relationship Management (CRM) tools: Assist businesses in learning customer purchasing patterns and enhancing channel performance.
- Geolocation & Route optimization tools: Speed up and save money by planning the best routes for delivery.

These tools help in the optimum use of resources, demand prediction and helps in better decision making.

5.2 Concept of Distribution Channel

5.2.1 Definition and Purpose of Distribution Channels

A distribution channel is a chain of businesses or intermediaries through which goods and services pass until it reaches the end consumer.

"The end target is the ultimate buyer, or consumer. +It takes place among a wide range of entities (all former Russian subsidiaries involved in the movement, sale and exchange of goods: manufacturers, trading/wholesaling companies, agents from abroad, retailers and logistics providers.

Purpose:

The most important function that distribution channels fulfill is spanning the gap between producer and consumer by facilitating the delivery of products:

- To the right place

- At the right time
- In the right quantity
- At an acceptable cost

Key purposes include:

Exchange: Channels help trade by bringing goods and services to buyers in the most efficient way.

Time and space bridges: They make it possible a product be made available where and when the consumer requires them.

Bulk Breaking: Middlemen divide the quantity in which large quantity is purchased by customers into small quantities.

Assorting: Mixing up products from different sources to give consumers options.

Knowledge Exchange: Manufacturers receiving market response and knowledge of customer.

Promotional Assistance: Assisting in point of sale marketing and promotions efforts.

As such, distribution channels create value by performing the critical economic functions that would be inefficient for the producer to perform alone.

5.2.2 Channel Structure: Direct and Indirect

Distribution channels are classified on the basis of number and type of intermediaries between a manufacturer and the customer.

Direct Distribution Channel

A direct-medium has no intermediaries in between. The manufacturer supplies the goods to the ultimate customer himself.

Examples:

- Receptive retail (ie company owned retail stores such as Apple Stores)
- Producer operating E-commerce websites
- Door-to-door or catalog sales by home workers

Advantages:

- More control of branding and customer experience
- Working directly with users allows for better personalisation and feedback
- Better margins (no commissions going to intermediaries)

Limitations:

- High operational costs
- Limited geographical reach
- Difficult to scale without infrastructure

Indirect Distribution Channel

An indirect distribution channel has intermediaries between the producer and consumer. These middlemen might consist of wholesalers, distributors, agents, brokers and retailers.

Channel Types:

- Single stage channel: Producer → Retailer → Consumer Explain the meaning of each part and give an example I.
- Two-tiered channel : Manufacturer → Wholesaler → Retailer → Consumer
- Three-tier channel : Producer → Agent → Wholesaler → Retailer → Consumer

Advantages:

- Broader market coverage
- Lower operational pressure for the producer
- Intermediaries may perform other functions such as warehousing, transportation or credit

Limitations:

- Loss of flexibility in product presentation and pricing
- Possible conflicts with intermediaries
- Third-party reliance for the end customer's experience

The decision for channel structure will be based on factors such as the product, target market, available company resources and pricing strategy as well as competitive environments.

Did You Know?

“Many startups today prefer **direct channels** using e-commerce to reach customers globally with lower costs. However, **over 70% of global retail sales** still occur through **indirect channels** like retailers and wholesalers, showing that traditional methods remain powerful in many regions and product categories.”

5.2.3 Functions of Marketing Intermediaries

Marketing intermediaries perform critical functions that facilitate the flow of goods and services through the distribution channel. These functions can be grouped into three main categories:

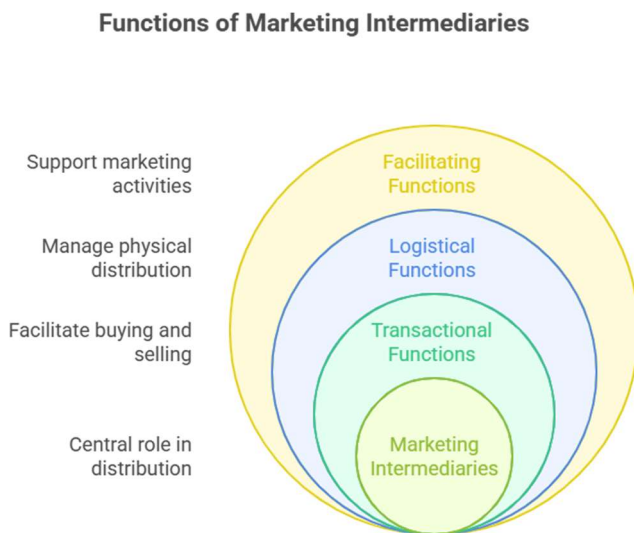


Figure 5.1

A. Transactional Functions

Purchasing: Buying goods from the manufacturer or other middleman.

Sales :The process of selling products to the customer by appealing them with different promotional tactics.

Holding Risk: Ownership or liability for goods that may not be sold.

B. Logistical Functions

Assorting: Construct assortments of products that the customer wants.

Sorting: separates large lots into smaller, personalized lots.

Holding: When an item is kept and reserved until its use becomes necessary.

Transport: Physical movement of goods from point of production to point of use.

C. Facilitating Functions

Financing: Offering a credit line and assisting in financing purchases.

Grading: Making sure products are of the desired quality.

Marketing Intelligence: Gathering and distributing data on customer preferences, market trends, and competitors movements.

By undertaking these roles, intermediaries contribute to increasing the effectiveness of the system, specialisation and customer satisfaction.

in the distribution process.

5.2.4 Flow of Goods, Information, and Payments

Three primary flows exist in a distribution channel:

Flow of Goods

- Stating that this is the physical flow of goods from producer to consumer.
- It may be organic, as there is more than one stage of distribution involved—warehousing, transportation, packing and retailing.
- The flow of goods may also be reversed in the case of reverse logistics (goods returning back to the firm from the customer for repairs, recycling or returns).

Flow of Information

- There is information flow in two directions: downstream and upstream (see producer-consumer relationship).
- Product Information, Promotional messages, Stock availability & Pricing Down reads: What were the product specifications or Ask information that you drew from()?
- Upstream: Customer feedback, order status, complaints, demand data.

Effective information flow helps businesses:

- Forecast demand
- Improve product development
- Manage customer relationships
- Reconcile inventory levels against true demand at any moment in the market

Flow of Payments

- Through the process of payment, wealth (in the form of money) flows counter to goods—from consumer to producer.
- Intermediaries can provide beneficial financial services like credit facilities, deferred payments, and payment system.

- Channels need to deal with the risk of payments (defaults, lateness) and verify that transactions are secure and traceable.

5.3 Channels for Consumer Products

5.3.1 Zero-Level (Direct-to-Consumer) Channels

Zero-level channels, also known as direct channels, have no intermediaries between the producer and consumers. The products are sold from the manufacturer directly to the customer without intermediaries such as wholesalers, retailers, or agents. Common examples:

- Company-owned retail outlets
- Company websites (e.g., Nike.com)
- Door-to-door sales
- Company mobile apps or telemarketing

Advantages:

- Own your pricing, branding, and customer experience
- Higher profits as intermediaries will be bypassed
- Immediate client response, and data mining
- Faster response to market changes

Limitations:

- Expensive logistics and customer service management
- Limited geographical span if not highly infrastructure heavy
- Hard for smaller firms to scale up operations

Such a model is quite common among businesses selling highly symbolic, high-value or digital products and has been experiencing growing popularity of late with the booming e-commerce market as well as social media advertising.

5.3.2 One-Level and Two-Level Channels

These intermediaries serve as one or two types of middleman between the producer and the consumer.

One-Level Channel

There is a one level channel that has an intermediary between the manufacturer and retailer.

Structure:

Producer → Retailer → Consumer

Example:

- A maker of smartphones phones, such as Samsung does through Croma's or other electronic retail stores.

or Reliance Digital.

- Nike sells shoes and clothing through its name-brand stores and big retail chains such as Foot Locker.

Advantages:

- Wider market outreach than direct contacts
- Retailers can manage local customer service and support.
- Relatively simple logistics

Two-Level Channel

For a two-level channel, two intermediaries are there typically as wholesaler and retailer.

Structure:

Manufacturer → Wholesaler → Retailer → Consumer

Example:

- Wholesalers are the middle men of commerce and deliver goods to local grocery stores, supermarkets and food manufacturers like Nestlé.

- Hindustan Unilever (HUL) opts for a two-level channel in which it sells products like soaps, shampoos and detergents to small retail shops spread across India via its network of wholesalers.

Advantages:

- Economical for mass distribution and cheap consumer's goods.
- Can access tiny and dispersed retail markets
- Minimizes Manufacturer's Obligation to Service Multiple Retailers

One-Level and Two-Level Channelsrowth-Gabor Transforms4 Simplification of One-Level MoleculesIn the following we will explain how to obtain a simplified form of (5) for those scale-rod functions $v_k \sim \dots, 1 d' k d' n$. For example Kelly and Loisel come to this approximation with the help of an otherwise uninterpreted term in [18].

- Loss of control on final presentation and custom experience
- Potential channel conflict between intermediaries
- Lower profit margins for producers

These models are widely used in the FMCG, Consumer Durable and Personal care sectors.

5.3.3 Multi-Level and Hybrid Channels

Multi-Level Channels

A multi-level channel downstream extends beyond the two intermediaries and has other agents, sub-distributors or brokers who aid in accessing remote or specialized markets.

Structure Example:

Manufacturer --> Retailer - Consumer

Used For:

- Availability in big or rural markets
- Products that necessitate widespread availability in low cost

Challenges:

- Increased complexity
- Difficult coordination
- Less control over eventual customer experience

Hybrid Channels

Hybrid Distribution Channel A hybrid (or multi-channel) or dual-distribution system is one in which a company uses two or more distribution channels to reach multiple customer segments in an entirely new way.

Examples:

- A clothing brand that sells through its own website (direct) and department stores like Macys (indirect), as well as e-commerce platforms like Amazon (hybrid).
- An electronics company sells directly online, and through dealers and retailers.

Benefits:

- Greater market reach and flexibility
- Flexibility to serve multiple customer segment
- Risk diversification

Risks:

- Conflict with established channels (e.g., traditional retailers being undermined by online prices)
- Stock and price discrepancies between platforms

Hybrid preference models have been more and more mentioned in configuring omnichannel offerings, driven by rapidly increased interest of the customers to search for seamless transition between online sales message and offline sales point.

5.3.4 Choosing a Channel Based on Product Type

The selection of a channel is rather affected by the product type offered and consumers' characteristics. Key product-based considerations include:

Convenience Products

- Low-value everyday items (toothpaste, snacks, etc.)
- Need widespread distribution to variety of retail locations
- Also, for wide accessibility, use two-level or multi-level channels.

Example:

- Colgate toothpaste can be purchased at most supermarkets, local grocery stores and pharmacies.
- Lay's snacks, by PepsiCo, are sold through wholesalers and retailers to reach small stores, supermarkets and vending machines.

Shopping Products

- Medium involvement purchases (clothes, electronics)
- Require selective distribution to maintain the balance between availability and brand positioning
- Commonly utilize single-level channels or hybrid systems Example:
- Samsung distributes its smartphones through exclusive brand outlets, online platforms and electronic retail chains such as Reliance Digital.
- Zara only sells to company-owned stores and through company-owned websites in order to control the brand.

Specialty Products

- High-quality or one-of-a-kind items (like a luxury watch, designer furniture)
- Require exclusive distribution

- Typically sold through zero (direct) or one (one-remove) level channel to preserve control of brand extraneousness

Example:

- Roles watches are available only on its exclusive showrooms or from the authorised dealers.
- The company sells its furniture through megastores that it owns and on its website.

Unsought Products

- Non-see items (e.g., insurance, emergency tools)
- May require personal selling and promotion
- Use multi-level channels or agents to access their target customers efficiently

Example:

- LIC (India's Life Insurance Corporation) sells mainly through agents and directly.
- Health and wellness products are provided multi-level marketing (MLM) style by Amway.

Additional Factors Affecting Channel Choice

– Product perishability: Faster, direct channels are critical for fresh produce brands such as FreshToHome and BigBasket. – Product complexity/customization: Dell sells laptops designed by the customer directly through its website and their stores. – Company resources & infrastructure: Amazon has a vast network of fulfillment and logistics to maintain dial distribution Nike. – Customer buying behavior: Fashion companies such as H&M can be found in malls and online platforms where the target customers shop. – Market size & geography: Coca Cola uses multi-level distributions, such as bottlers and distributors, throughout the world to reach both urban and rural markets..

“Activity”

List three consumer products—one convenience, one shopping, and one specialty item. For each, identify the most suitable distribution channel (zero-level, one-level, etc.) and explain why it fits. Discuss with peers how the product type influences the channel choice and what challenges each channel might face.

5.4 Channels for Business Products

5.4.1 Nature of Industrial/Business Markets

Industrial or business markets, involve transactions among businesses and not between a firm and individual consumers. These markets have distinct features:

- Less but bigger buyers: A smaller group of customers makes a high volume of purchases.
- Complex buying process - Decisions are made by several stakeholders (e.g., procurement managers, engineers and finance teams).
- Derived demand: The demand for business products is derived from consumer demand (e.g., the demand for steel is dependent on the demand for automobiles).
- Importance of relationships: Long-term relationship between suppliers and buyers with contract, after sales services, customization are important.
- Technical details: Corporate customers frequently need very technical or custom items.

Channel Operation Because of these features, channel operation has to be focusing on effective coordination; technical assistance and marketing support.

supply of goods and services in a prompt manner.

5.4.2 Direct Channels in B2B Markets

Direct distribution is standard in business markets. These are direct— manufacturers deal with organization buyers.

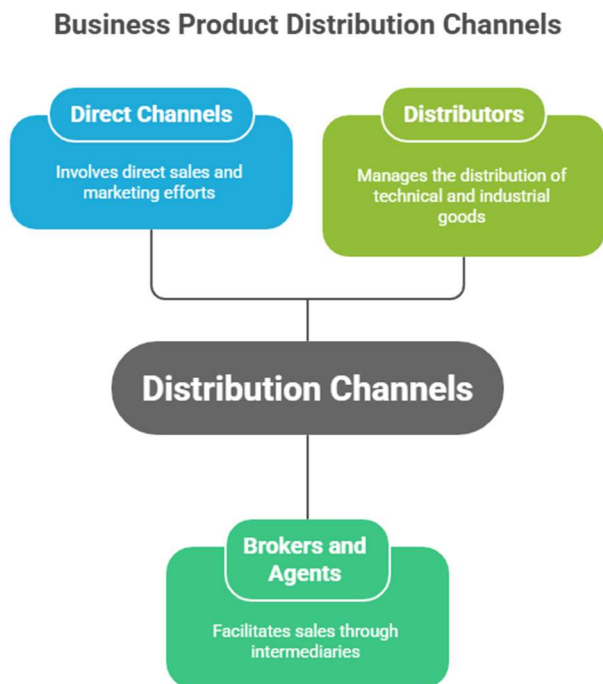


Figure 5.2

Structure:

Producer → Business Customer

Common for:

- Capital equipment (e.g., machinery, servers)
- Customized industrial tools
- Professional services
- Software licenses for enterprises

Advantages:

- Close communication with clients
- More control over sales and pricing
- Flexibility to tailor services to the client
- Technical support and after-sales service to be made more timely

Limitations:

- Expense of supporting a direct sales team.
- Less practical with geographically dispersed or low volume clients

A lot of B2B companies have dedicated account managers, technical advisers and even online portals for managing interactions with customers - especially when it comes to high value or complex products.

5.4.3 Role of Brokers and Agents

Brokers and agents act as intermediaries in business markets, especially when buyers and sellers are geographically separated or work in significantly different industries without preexisting relationships.

Agents

They act on behalf of the seller and have permission to transact sales but do not acquire ownership of the goods. They are frequently paid a commission for sales.

Examples:

- Manufacturers' representatives selling industrial equipment
- Export-import agencies carrying out cross-border B2B trade

Brokers

Brokers match buyers and sellers for a fee, although they tend to be transaction-based, rather than long-term partners.

Examples:

- Commodity brokers
- Freight brokers

Functions of brokers and agents:

- Match specialized buyers and sellers
- Bring market information and advice for negotiations
- Increase market without increasing company overhead
- Act on the behalf of buyers in foreign or new markets

They're helpful in fragmented, multitiered or geographically diverse markets where the cost of structuring direct relationships would be prohibitive.

5.4.4 Using Distributors for Technical/Industrial Products

Wholesalers are particularly important when technical or industrial goods are delivered to business users. They buy products from makers and resell them to business customers, often with value-added features. Common in:

- Electrical components
- Mechanical parts and tools
- Industrial chemicals
- Safety and maintenance supplies

Functions of distributors:

- Inventory management and warehousing
- Technical product demonstration and installation
- Order fulfillment and timely delivery
- Providing local market coverage
- Local sales team support and spare parts to be supplied as well

Advantages of using distributors:

- Minimized demand on the manufacturer's sales force

- Improved delivery and service efficiency
- More access to smaller or regional B2B customers
- Product handling and application expertise

Resellers are particularly pertinent in markets where technical know how, installation and ongoing customer support is an integral part of the product proposition. They are essentially an arm of the manufacturer, and not only supply product but also local support.

Knowledge Check 1

Choose the correct option

1. What is a key characteristic of business markets?
 - a) Many small buyers
 - b) Impulse buying
 - c) Derived demand
 - d) Short purchase cycles
2. Which channel is most common for selling capital equipment in B2B markets?
 - a) Two-level
 - b) Direct channel
 - c) Retail channel
 - d) Broker channel
3. What is the main role of an agent in a B2B distribution channel?
 - a) Take ownership of goods
 - b) Manufacture goods
 - c) Represent the seller
 - d) Store inventory
4. Distributors are mainly used in B2B markets to:
 - a) Promote consumer brands
 - b) Offer technical support

- c) Eliminate logistics
- d) Replace direct sales

5.5 Online vs. Offline Retail Strategies

Retailing strategies refers to how a company sells its products/ services /ideas at retail level. In today's dynamic retail environment, companies are using offline (traditional) and online (digital) methods — or a combination of the two— to increase reach, efficiency and customer experience. It's important for businesses to understand these strategies, so they can continue to stay competitive and adapt as consumer behaviors evolve.

5.5.1 Traditional Brick-and-Mortar Retailing

Brick-and-mortar retailing is the shopping in a general way in stores; whether it sales through a storefront, or through a vehicle.

Key Characteristics:

- Physical presence in specific locations
- In-person customer service
- Haptic shopping experience (touch, feel, try before buy)

Examples:

- Department stores
- Supermarkets
- Boutiques
- Convenience stores

Advantages:

- Immediate product access
- Personalized service
- Store atmosphere and experience
- Strong local brand presence

Challenges:

- High cost of operations (rent, utilities, staff)

- Limited geographic reach
- Inventory and space constraints
- Susceptability to changes in consumer demand for online retailers

The above notwithstanding, brick-and-mortar retail holds ground even today, particularly in FMCG, apparel and food services, as well as luxury retail where the shopping experience is essential.

5.5.2 Growth and Theories of Online Retail

E-commerce (short for "electronic commerce") is the practice of selling goods and services over the internet.

Growth Drivers:

- Increased internet penetration
- Smartphone adoption
- Contactless payment systems
- Convenience and time-saving factors

Popular Online Retail Models:

Business-to-Consumer (B2C)

Retailers sell directly to individual consumers online by way of a website or app.

Example: Amazon, Flipkart

Consumer-to-Consumer (C2C)

People sell to people on platforms.

Example: eBay, OLX

Business-to-Business (B2B)

Online platforms facilitate wholesale transactions.

Example: Alibaba

Dropshipping

Products are sold by retailers based on demand without carrying inventory; the supplier ships directly to customers.

Advantages:

- Low overhead costs

- Broader customer reach
- 24/7 availability
- Easy data collection and personalization

Challenges:

- High competition
- Cart abandonment
- Logistics and last-mile delivery issues
- Return management complexities

Categorization – Online retail is still a booming industry, especially in niches such as electronics, fashion, books and other household goods. Opt for the marketplaces which allow scalability & data-backed marketing.

5.5.3 Omnichannel Retailing Strategies

What is omnichannel retailing? Omnichannel retail strategy involves a single and synchronized method of retail selling that uses both bricks-and-clicks channels together to provide the customer with a seamless shopping and purchasing experience.

Core Features:

- Consistent branding across all channels
- Unified inventory and pricing
- Cross-channel promotions and loyalty programs
- Customer data and CRM systems become more centralized

Examples:

- A shopper scopes out something online and buys it offline.
- Shoppers are awarded points whether the purchase is made at an e-commerce site or a brick-and-mortar store.
- Retailers use app-based tracking to push out notifications based on your browsing behavior in stores.

Benefits:

- Higher customer retention and satisfaction
- More personalized shopping experiences
- More flexibility and freedom of choice for consumers

- Improved use of data at every touchpoint

Implementation Challenges:

- Complex system integration
- Inventory and logistics coordination
- Staff train for interaction, both digital and in real life

Retailers that invest in omnichannel (Nike, IKEA) are more able to satisfy present-day consumer expectations.

5.5.4 Click-and-Mortar Integration

Click-and-mortar retail are businesses with both online (click) and offline stores (mortar). This solves a common problem for retailers that they see the advantages of both on- and offline channels.

Examples:

- A clothier with both an internet presence and brick-and-mortar stores
- Electronics retailers who offer online orders with store pickup

Strategic Benefits:

- Broadened penetration with live, local service
- Improved inventory utilization
- In-store pickup and returns for online orders
- Greater brand trust by having a physical presence

Popular Practices:

- Click-and-Collect: In this order mode, the Consumer orders online and Collects over the counter at store
- Reserve Online, Pay In-store (ROPIS): Merchandise is put on hold online and paid for in the store
- Ship-from-Store: Utilising stocks of physical stores for online orders

Limitations:

- Heavy investment in technology and infrastructure
- Desire for uniform experience across screens
- Backend systems integration (POS, ERP, CRM)

Click-and-mortar works particularly well in apparel, electronics, beauty and home improvement there.

5.5.5 Customer Experience and Fulfillment Challenges

“We believe retail strategy is all about the customer experience. Regardless of whether it is in a digital (online) or analog (offline) environment, companies have to meet several requirements to make the experience to their users smooth and enjoyable.

Online Challenges:

- Shopping cart abandonment as a result of shipping costs or delayed deliveries
- Lack of product tangibility
- Inconsistent delivery timelines
- Inconvenient return and refund processes

Offline Challenges:

- Stockouts and inventory mismanagement
- Long checkout queues
- Poor staff interactions
- Limited personalization

Fulfillment Challenges (both channels):

- Synchronizing inventory across platforms
- Control of logistics partners and logistics networks.
- Handling returns and exchanges efficiently
- Offering real-time order tracking

To overcome these challenges, retailers need to focus on:

- Advanced inventory management systems
- Efficient logistics and warehousing
- AI-driven recommendation engines
- Staff training and in-store technology

Those retailers that focus on omnichannel fulfilment, real-time communication and customer-centric service can give themselves a considerable competitive edge.

5.6 Factors Affecting Channel of Distribution

5.6.1 Product-Related Factors

The nature of the product being marketed affects the selection of distribution channels.

A. Nature of the Product

- Shorter and faster distribution channels are necessary for perishables (e.g. dairy products, bakery), where freshness must be mainly guaranteed.
- Products that are durable goods (such as electronics or furniture) can have longer sale cycles and are capable of using more structured channels with intermediaries.

B. Complexity and Technicality

- Tech-intensive or specialist products (e.g., machinery, software) are generally simply too complex or niche to be retailed - the things need demonstrating, explaining and supporting.
- Standardized goods can be marketed through longer, indirect channels.

C. Unit Value and Price

High ticket items (luxury watches, industrial equipment, etc.) typically go through exclusive or direct channels to protect and ensure service control.

- Low priced items (like FMCGs) need intensive distribution to be made available in as many points of sales possible.

D. Product Lifecycle Stage

- New products might need a tighter path to learn and control their brand.
- More mature products may adopt broader channels as a market matures.

5.6.2 Market-Related Factors

The nature of the destination market has a great influence on channel design and choice.

A. Customer Type and Buying Behavior

- Individual consumers usually purchase through retailers and demand convenience.
- Business buyers often require direct sales channels with technical support and contract terms.

B. Market Size and Geographic Spread

- You need indirect channels to service mass markets and geographically scattered customers and selling to the customer through an intermediary (wholesaler or retailer) is necessary.

- A direct channel may be capable of serving a niche or local market well.

C. Customer Expectations

- Today's customers want fast delivery, and easy returns, across multiple touchpoints (store, mobile, online).
- The channel has to be flexible to access and quality of service.

D. Purchase Frequency and Volume

- Repeatable small baskets (e.g., toiletries) need large distribution networks.
- Occasional bulk orders (building supplies, for example) may require direct sales.

5.6.3 Company Objectives and Resources

A company's objectives, resources and infrastructure determine its readiness to handle different distribution channels.

A. Financial Resources

- Organizations with low financial resource infrastructure might like to go indirect routes and thereby escape from cost of logistics, warehousing, retail store etc.
- Large, well-capitalized companies may invest in direct-to-consumer models and own stores, websites and systems for delivering goods.

B. Degree of Control Desired

- Companies that want a high degree of control over branding, pricing and customer service might prefer direct or selective channels.
- When companies are more open to rapid expansion, through less direct channels (though with a loss of control).

C. Company Expertise

- Enterprises with well-developed logistics and supply chains are able to control direct distribution.
- Others might use third-party intermediaries with expertise in the market and required delivery infrastructure.

D. Strategic Objectives

- A firm with a premium strategy might choose to use exclusive channels.
- If companies are aiming for high-volume sales, they might use intensive distribution in order to penetrate the market.

5.6.4 Competitive and Industry Practices

Competitor behavior and industry practices also affect distribution choices.

A. Channel Norms

- Some sectors are designed with standard distributed architectures. For example, pharmaceuticals often run through wholesalers and medical stores.
- Varying from these norms can be perilous unless you have novelty or robust value to support your strategy.

B. Competitor Strategies

- Companies can follow the same kinds of channels to remain competitive.
- Or, they perhaps could differentiate themselves with proprietary channels, speedier service or direct-to-consumer options.

C. Channel Loyalty

- If intermediaries have close relationships with competitors, it may be difficult for new entrants to gain access.
- To get distributors and retailers to carry a new product, firms might have to provide larger margins, training or other incentives.

D. Distribution Intensity

- In locations with high levels of competition, very aggressive distribution may be necessary to get noticed.
- Niche brands might focus on selective or exclusive channels to preserve their brand standing.

Did You Know?

“In many industries, over 80% of new entrants adopt the same distribution channels as their leading competitors to reduce risk. However, companies like Tesla disrupted auto industry norms by bypassing dealerships and selling directly, proving that challenging traditional channel practices can become a powerful competitive advantage.”

5.6.5 Technological, Legal, and Environmental Considerations

Distribution strategy can also be influenced by various factors from outside the company - technology, laws and environmental issues.

A. Technological Advancements

- Digital platforms, automation and AI have given rise to direct-to-consumer e-commerce, eliminating the need for intermediaries.
- Logistics managed in-the-moment, with data analytics, real-time tracking and inventory management systems allowing for more intelligent and agile distribution.

B. Legal and Regulatory Environment

- Schemes of law concerning consumer protection, taxation, contracts and commerce between states

control what and where goods are sold.

- Certain industries are controlled (eg alcohol, pharmaceuticals) and have their own distribution guidelines to comply with.

C. Environmental Considerations

- Green logistics, local sourcing and less packaging are encouraged by eco-aware customers and carbon emission regulations.

- Sustainable shipping might mean adaptations such as grouped deliveries, electric delivery fleets or

reverse logistics for recycling.

D. Trade Policies and Import/Export Restrictions

- Global markets also require distribution channels to navigate international trade laws, tariffs, customs charges and

currency fluctuations.

- These issues can determine the choice to export directly, to use foreign distributors or to create local subsidiaries.

5.7 Summary

♣ Place (place): This comes under getting the right product to the place or audience and includes all aspects of making a sure that a product is accessible to target group at required time.

⌘ Distribution channels: refer to the routes by means of which products move from producers to consumers or firms.

Virginity Scholarships 11.They can be direct (i.e. zero-level) or employ intermediaries such as retailers, wholesalers, and agents.

⊗ There are a variety of structures in consumer products that however utilize multiple structures such as 1-level, 2- level or mixed-channel according to the market need.

⊗ Business content may depend on direct sales, agents, brokers or distributors because of complex features and customization.

⊗ E-retailing is characterized by convenience and extended reach, while traditional retail focuses on physical experience and local presence.

⊗ Omnichannel and click-and-mortar approaches mix the best of online and off-line worlds for smooth customer experiences.

4Distribution channel choice A firm's distribution channel selection is based on nature of the product, size of the market, capabilities and resources of a company, and its competitive strategy.

⊗ Channel effectiveness and sustainability is also affected by technology, law and environment.

⊗ Optimized delivery improves customer relationship, market penetration and business profitability.

5.8 Key Terms

Place – Part of the 4Ps of marketing, a description for how and where products are sent to consumers.

Channel of Distribution – It is the pathway taken by a product as it travels from producer to consumer.

Direct Channel – A distribution channel in which a producer sells directly to a final consumer with no intermediaries involved.

Indirect Channel - Distribution in which performance of one or more intermediaries is involved.

Omnichannel Retailing – Superior method of shopping from an integrated, seamless system that is marketed by retailers across numerous channels.

Click-and-Mortar – business that serves its customers both in an online and a physical environment.

Marketing Intermediaries – Organizations (such as agents or brokers) that help a company promote, sell, and distribute its goods to final buyers.

Channel Conflict –Hostilities amongst marketing intermediaries, sometimes as a result of pricing or sales territory.

5.9 Descriptive Questions

Describe the role of 'Place' in marketing mix. What impact does it have on consumer accessibility and satisfaction?

Define direct and indirect distribution channels with appropriate examples. Why to use both pro and cond?

Describe the different kinds of consumer product distribution channels. In what way does the product category impact on channel selection?

Explain the function of agents, brokers and distributors in business products marketing. How do they add value?

Compare online retail, offline retail and an omnichannel strategy. What are the pros and cons of each?

Discuss some of the key issues in choosing a distribution channel. Explain with examples.

In what ways has technology affected the form and control of distribution channels in recent years?

What is click-and-mortar retailing? How does it enable companies to better serve the modern customer's expectations?

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Knowledge Check 1

1. c) Derived demand
2. b) Direct channel
3. c) Represent the seller
4. b) Offer technical support

5.11 Case Study

Introduction

FreshNest Organics is a emerging organic food brand that serves tier-1 and tier-2 Indian cities. The company initially sold its products in some health foods stores and supermarkets. The cofounders assumed that customers wanted to touch and see an organic product before buying it. But sales remained flat even with good reviews, especially in areas without strong retailer partnerships.

In the face of competition from brands with direct to door online delivery, FreshNest's slice of the pie was diminishing. The executives knew showing up in its stores wasn't good enough — they would have to rethink their "place" strategy and pursue new distribution channels for their products that make it more convenient to purchase, particularly for urbanites concerned about health and who shop online.

Background

FreshNest Organics: A Company Founded on Quality and Trust. Their initial triumph was in providing chemical-free food products directly from local sources. The first distribution model was conventional brick and mortar retail targeting Health & specialty organic stores. However, several issues surfaced:

- Shelf space constraints within physical stores
- High dependence on third-party retailers
- Inability to have access to purchase data from clients
- Poor visibility in smaller cities

A hybrid distribution strategy combining online retail channels with the offline channel was also considered by FreshNest as a way of confronting such challenges. The aim was to make a broader customer base happy, enhance fulfillment and compete with tech savvy brands.

Problem 1: Poor Penetration via Indirect Retail Modes

Operating exclusively with a physical store model was holding the company back from their full potential to grow. Their indirect channel partners posed limited visibility and low inventory turns outside of larger cities.

Solution:

FreshNest also introduced its D2C e-commerce site with doorstep delivery services. This "zero-level" channel enabled the brand to maintain power over pricing, packaging and customer experience but increased its ability to reach new geographies. They also had subscription options for recurring orders to keep customers returning.

Problem 2: The Lack of Seamless Customer Experience Over All Channels

Product placement and promotion in stores was variable. Some shops didn't frequently restock or refrigerate properly, so there were quality issues.

Solution:

Since then, the company also launched click-and-mortar integration, allowing customers to order online and pick up in certain partner stores. They also created integrated brand standards and training programmes for retail partners to ensure a consistent customer experience across all points of contact.

Problem 3: Selection of Distribution Strategy for Different Products

The FreshNest featured both perishables and non-perishable items. The two classes couldn't be efficiently channelized to the same one.

Solution:

They pursued a fragmented distribution approach:

- Packed goods were sold through marketplaces including Amazon and BigBasket.
- Only perishables were shipped by local delivery partners for same-day deliveries.

This method sped up shipping and cut down on spoilage.

MCQ

Q: Why did you introduce this hybrid distribution model as part of FreshNest?

- A) To reduce product pricing
- B) To prevent rivalry in trade.
- C) To reach more customers and improve fulfillment
- D) To reduce packaging costs

Answer: C) Increase customer penetration and order fulfillment

Conclusion

The journey of FreshNest Organics is a retroactive testament to the importance of “Place” in shaping a successful brand. By transitioning from a retail-centric approach to a hybrid, customer-first distribution model, the company expanded its market, improved service delivery and deeper relationships with customers. Their story highlights the need for an adaptable channel strategy that can adjust with changes in product category, consumer attitudes and technology to keep pace with fast-changing retail.

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Unit 6: Promotion

Learning Objectives

1. Understand the concept and importance of promotion in the marketing mix.
2. Identify different types of promotional tools and techniques.
3. Explain the role of advertising in creating brand awareness.
4. Analyze the effectiveness of sales promotion strategies.
5. Discuss the significance of personal selling in building customer relationships.
6. Explore the impact of public relations and publicity on brand image.
7. Evaluate the role of digital and social media in modern promotional strategies.

Content

- 6.0 Introductory Caselet
- 6.1 Introduction to the concept of Promotion
- 6.2 Importance of Promotion
- 6.3 Promotion Mix
- 6.4 Introduction to Digital Marketing
- 6.5 Summary
- 6.6 Key Terms
- 6.7 Descriptive Questions
- 6.8 References
- 6.9 Case Study

6.0 Introductory Caselet

“FreshGlow Skincare”

FreshGlow Skincare is a small business, in a very crowded city market selling natural skincare products. The brand started by word-of-mouth and with low introduction prices in order to win customers. This worked well for first few months, until competition came in and launched marketing blitzkriegs with influencer tie-ups and seasonal offers.

One day, Ms. Aisha, the founder, realized that even though their products are high quality and good price wise, customers had began to move to these well-promoted brands. Seeing how promotion is important in creating awareness and trust amongst your customers, Aisha agreed it was time to revisit her approach.

She rolled out an Instagram campaign with student influencers, gave free product samples at fitness centers and yoga studios and created a “Glow Club” loyalty program with deals just for members. She also partnered with dermatologists for online webinars to inform customers about organic skincare. Just months later, FreshGlow was enjoying more exposure and business, bursting into the competitive skincare field.

Critical Thinking Question

Why was it important for Ms Aisha to concentrate on promotion as well as making good quality and low priced products, what problems could FreshGlow encounter if there were no promotional efforts.

6.1 Introduction to the concept of Promotion

6.1.1 Meaning and Definition of Promotion

Promotion is one of the key elements of marketing and refers to all the communication activities that a company may use to communicate with its target market. It is not confined simply to the selling and advertising of a product, but it includes much more than that – as marketing also includes all activities connected with the way in which one offers a product or service for sale.

The word “promotion” is derived from the Latin *promovere*, which means “to move forward.” In the business world, that refers to moving a product, service or idea from production toward consumers hands and minds. Promotion thus links manufacturers, producers and consumers in the marketing process.

The following factors relating to the definition of promotion are key:

- It is informational, in that it informs customers what different products are available and what features or advantages the products provide.
- It's persuasive, in the sense that it persuades customers to go with one brand over another.
- It is reminding, keeping a brand alive in the minds of consumers to encourage repeat purchases.

Prominent definitions include:

- Philip Kotler: "Promotion stands for any background advertising tool which brings the product to the notice of prospective consumer, it also allows him an opportunity to apply it even."
- American Marketing Association: "Promotion is the function of informing, persuading and influencing a consumer's purchase decision."

As such promotion can be considered as a planned process of communicating messages to influence human behaviour towards a product, brand, service or business.

6.1.2 Objectives of Promotion

There are no random promotions, there are clear goals in the field of marketing and business objectives. The main objectives include:

I Sensitization: Advertising facilitates informing the customers about a products or services that are available in the market. For instance, an introduction of a new smartphone must be advertised to let consumers know its specifications.

Creating A Buzz: Just being aware is not sufficient. Promotion is about stimulating curiosity or interest, so consumers will have the desire to find out more about what's being offered. This may be by way of advertising, free trial demonstrations etc.

Demand Creation: The ultimate aim of promotion is to create demand. Discounts, sexy ads or promotions are typical tools for instigating demand.

Product Differentiation: In a competitive environment, there are lots of similar products. And through promotion, a brand is able to showcase its unique selling propositions (USPs) – like quality, innovative benefits or value.

Creating Repeat Business: Promotion is directed at customers to ensure that they patronize the same product in the future. Loyalty programs, reminder advertising and emotional linkage to branding ensure that the customer returns rather than seeking a competitor.

Consumer Education: Some need instruction on how to use the product or knowledge of health and safety benefits. Promotion serves' as an education tool of the customers about these features.

Helping Sales Force: It is easier to sell a product through sales force where they would be aware how this product can better satisfy their needs or wants. Advertising paves the way for the salesmanship.

Each of those goals demonstrates how promotion is not just one thing, but a collection of things that cumulatively propel business forward.

Did You Know?

“Promotion is not just about selling; it creates awareness, builds interest, stimulates demand, educates customers, and supports brand loyalty. Effective promotion helps businesses differentiate their products and maintain long-term relationships with customers in competitive markets.”

6.1.3 Evolution of Promotional Techniques

The way firms are advertising their products, has been achieved lots of revolution. The development could be described in two steps:

Pre-Industrial Era: If you're a virgin to free market engines for growth in their infancy, promotion was all personal's back then. Sellers would yell offers in open markets, sign up town criers or show their wares to potential customers. The most powerful form of promotion was word-of-mouth.

REVOLUTION IN PRINT MEDIA With introduction of press Newspapers Posters Pamphlets were used by the businesses. This enabled sellers to reach beyond just directly contacted customers. Print ads were a reliable way to generate awareness.

Mass Media Growth: Radio and television were added in the 20th century. If radio ads gave businesses the opportunity to get into people's homes, TV added the bonus of pictures on top of sounds to make compelling advertising that would stick in consumers' minds. With TV promotion, brands like Coca-Cola and Pepsi boomed.

Growth of Sales Promotions: Already by the mid-20th century companies were using short term promotional tools—coupons, sales, buy-one-get-one offers, contests and trade shows—to find customers' interest and drive transactions.

Digital Age: As internet expansion took place, companies began advertising on websites, email, and online ads. It was cheaper, and it made for global access.

The Social Media Influencer Age: The Instagram, Facebook, YouTube and TikTok era reinvented marketing approaches. Today, companies use interactive promotion, customer feedback in real time and partner with influencers just to earn trustworthiness.

Integrated Marketing Communication (IMC): Up to date businesses are acutely aware of the fact that their customers are exposed to a wide variety of mediums on-rout going about their day, every day. As a result, promotion is now orchestrated across TV, social media, print, events and digital advertising to ensure brand messaging isn't undermined.

Changes in the nature of promotion demonstrate the transition from locality and personalization to a much more extensive national and international promotional approach taken by businesses.

6.1.4 Promotion as Communication Tool in of Marketing

At its core, promotion is communication. It is how businesses communicate with customers in order to influence purchasing decisions. It adheres to the typical communication cycle:

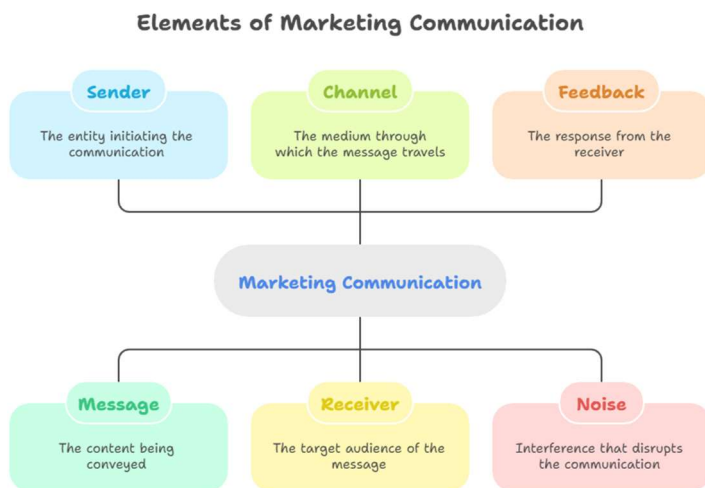


Figure 6.1

Sender: The company or advertiser that creates the ad message.

Message:The information, for example, the product’s features/benefits or offer/brand values communicated.

Channel: The vehicle that the message passes through such as advertisements, social media posts, personal selling or events.

Receiver: It is the intended audience that decodes and responds to the message.

Feedback: Customer's reactions/response to the system or its output, often in the form of reports.

Noise: Messages competing for other messages that distract from the communication process, such as advertising rival products and anti-ads.

Functions: Promotion as an Instrument of Communication

- Informative Role

Promotion communicates information to consumers regarding new/updated products, and raises awareness of the product.

o Example: Tesla enters a new market introducing people to what is an electric vehicle, how are they environmentally friendly and how charging infrastructure is handled.

o Example: Colgate frequently advertises new flavors of toothpaste, describing their relative merits (whitening, cavity protection, herbal).

- Persuasive Role

Promotion has an effect on consumers' preference since it presents a brand as better in comparison to others.

o An example will be: - The Apple iPhone campaigns stress on premium design and ecosystem integration; a pitch to make the customer go for an iPhone instead of any other smartphones.

o Example: Advertising Campaigns for Coca-Cola v. Pepsi emphasize Taste Preference, Emotional Resonance and Lifestyle Association to capture market share from the consumers.

- Reminder Role

Also, promotion helps to increase the recall of brand; and provoke customers desire to buy for second time from an old company's customer.

o Example: The McDonald's "I'm Lovin' It" slogan and TV commercials ensures that people are constantly remembering the brand, which is one of the top listed names when it comes to fast food.

o Example: Amul's take on topical advertisements in India don't let the brand fade from consumer memory.

through witty, relatable content.

- Relationship-Building Role

Promotion is not just a one way communication; it's about engaging and creating loyal customers.

o Ex: Apprentice Productive Exchange Starbucks Rewards uses personalized app notifications, offers, and points to build long-term customer relationships.

o Example: Nike's social media campaigns call for customer participation in challenges (#JustDoIt campaigns), which forms a community around the brand.

6.2 Importance of Promotion

6.2.1 Role in Creating Awareness

Promotion aims to convey information about a product, service or a brand to customers. Products can be the best but unknown without visibility. Promotion puts the offer in front of the target audience and tells them about it and where they can get it.

When it comes to new products, promotions serve as the initial stage in a consumer's process of making a decision. When a new smartphone is released, for instance, advertising and social media promoting campaigns market this product and expose customers to its existence. Likewise, when a local café runs flyers or digital ads about its seasonal menu, it's informing locals about new food choices on offer.

Awareness building is particularly important when faced with industries in which there are many entertained alternatives. By continuous and conspicuous promotion companies help customers to identify and remember their company so that at the time of purchase decision, they can take buying decisions.

6.2.2 Building Brand Image and Loyalty

Advertising is not just about selling — it is also about creating a certain perception of the brand to consumers. Brand image can be considered as a complex set of associations and impressions that people keep in their minds regarding an organisation. Well presented publicity acquires the attributes of quality, reliability, originality or economy and thus reinforces image.

Think luxury brands such as Rolex or Louis Vuitton which base their promote on a policy of selective promotion i.e. exclusivity and high quality. Similarly, high-budget comedies make marketing material surrounding their pool shots and CGI; low-budget companies have got nothing to rely on other than affordability and convenience.

Once a good imagery is established, promotion would be the one that nurtures brand loyalty. Yes, loyalty programs, reminder advertising and emotional appeals all play a role in building longer-term customer relationships. For example, Coca-Cola regularly connects happiness and togetherness in their campaigns to help establish strong positive emotional connections that make it difficult for its consumers to quit them despite stiff competition.

6.2.3 Stimulating Demand and Market Expansion

Demand is directly influenced by promotion, which encourages customers to purchase more frequently, in larger amounts, or move across competitors. Strategies like discounts, sales, giveaways or demonstrations add urgency and can drive your customer to action.

For instance, a grocery store advertising “Buy One Get One Free” on groceries is using promotion to drive short-term demand. Likewise, when you see such e-commerce platforms as Amazon conducting seasonal sales, their strategy is two-fold –promote higher purchase tonnes during a finite window.

Promotion also contributes to expansion of the market. Businesses will be able to grow their customer base by marketing to such previously untapped groups through advertising, sponsorships or digital campaigns. This is especially applicable to firms entering new geographic markets or creating completely new products.

6.2.4 Supporting Sales and Distribution Efforts

Promotion complements the sales process via an efficient distribution network. It assists the sales force by establishing a level of awareness and interest among customers prior to the intercession of a sales representative. At the same time Customer who have already seen promotions are more likely to accept sales talk.

Trade promotions to wholesalers, retailers or distributors also encourage them to carry and push products. These could be dealer incentives, display allowances, promotional materials from the company. Consumer goods companies, for instance, provide retailers with eye-catching posters, standees or product samples to help spur in-store sales.

Promotion assists in moving goods through the distribution channel by keeping retailers and distributors motivated to stock and sell a brand. It's not just that it bolsters availability, but also visibility in competitive markets.

6.2.5 Promotion in Competitive Positioning

With so many purchasing options available to consumers, promotion becomes an essential way of distinguishing one brand from other competing brands. Competitive position is not-for-profits It's how a brand aligns itself in the marketplace and in the consumers' minds.

Creativity: Companies advertise their USPs through creative promotion. For instance, Apple positions itself as high-end and innovative, privileging design robustness, while Samsung leans towards a plethora of hi-tech features that can be affordable in multiple levels of market.

Promotions also enable brands to react swiftly to competitive threats. For example, a competitor offers a price cut or special offer that is met with a promotional discount or loyalty programme from a company. And in industries that are hotly competitive--such as fast food, airlines or telecom services--promotion is critical as a way to maintain visibility and currency.

Businesses Invest in Promotion Profitably Once your business learns how to use promotion strategically, it can assure that its visibility remains high and is perceived favorably relative to like brands.

“Activity”

“Select two competing brands in the same industry (e.g., Pepsi vs. Coca-Cola or Samsung vs. Apple). Compare their recent promotional campaigns by analyzing how each positions itself against the other. Discuss in groups how promotion helps them differentiate, attract customers, and maintain a competitive edge in the market.”

6.3 Promotion Mix

6.3.1 Definition and Components of Promotion Mix

The promotion mix not only refers to the combination of several promotional tools and methods a company utilizes it also discusses the communication objectives. It is one of the activities that makes up the marketing mix and plays an important role in informing, persuading, and reminding customers about the product or brand. The appropriate mix will vary depending on the product, the audience, competitive environment and budget.

Components of Promotion Mix



Figure 6.2

Advertising

Advertising that reaches mass, paying, non-personal communication through media such as TV, radio, print (newspapers, magazines), outdoor and display advertising on streets/roads/super markets or in digital platform.

→ For example, global TV ads from Coca-Cola in pursuit of happiness and brand recall are a commercial case.

→ Example: Amazon pushes its online festive ads around deals and offers, which are promoted in order to drive mass awareness and traffic.

Sales Promotion

Short-term incentives to encourage the purchase, trial or sales of our products. Etc. such as that of discounts, vouchers, buy-one-get-one-free, contests or free samples.

→ Illustration: Domino's Pizza provides 'Buy One Get One Free' offers to increase midweek trade.

↳ Example: P&G (Procter & Gamble) frequently gives away sample shampoo sachets in rural markets to promote trial and purchase.

Personal Selling

Direct personal contact sales performance: Sales representatives are directly in touch with customers to introduce products, clarify doubts, and promote sales.

→ Example: Mercedes-Benz sales consultants offer tailored product demonstrations and consulting for those interested in buying a car.

→ Example: LIC insurance agents interface directly with customer to explain policies & then again pitch/re-pitch varying on feedback from the customer on likes/dislikes.

Public Relations (PR)

Activities intended to maintain or improve the company's public image/building goodwill with -3- creditors/stakeholders/community.

stakeholders. PR is composed of press releases, events, sponsorships and media relations.

- Example: Tata Group's CSR programs & media campaigns have improved its image as a responsible corporate.

Example: Apple's launching party of products attract enormous media attention across the globe; its brand image is vastly promoted without conventional advertising.

Direct Marketing

A communication to customers that is designed to elicit a measurable response or transaction. That would consist of e mail marketing and advertising, SMS campaigns, telemarketing along with on the web targeting.

→ Example: Flipkart personalizes email and app notifications of customers by promoting discount and wishlisted items.

→ Example: Amway agents promote product purchase and subscription through direct contact and catalogues.

6.3.2 Advertising – Types, Media, and Objectives

Advertising is a sponsored, non personal communication delivered through various media that is intended to inform, persuade and remind potential customers about products or services. It's meant to be in front of a lot of eyes and as the brand behind it for as long into the future as possible.

Types of Advertising:

Educational Advertising – When a new product is presented and the ad educates the audience regarding its attributes and advantages.

3) Persuasive Advertising – Getting the consumer to choose one brand over another .

Salience Advertising – Building brand reminder, and repurchasing.

Comparative Advertising – Emphasising that your brand is better than others one.

Institutional Advertising – For the general advertisement, not the product.

Media of Advertising:

- Print – newspapers, magazines, brochures etc.
- Broadcast Media – Radio, television.
- Outdoor Media – Billboards, signs, transit ads.
- Digital Media – Social media, search engine ads, websites.
- Cinema and Sponsorships – Screen adverts and sponsorship deals with events, or to shows.

Objectives of Advertising:

- Introduce products or services.
- Persuade customers to purchase.
- Differentiate products from competitors.
- Build long-term brand image.
- Assist with sales force and distribution initiatives.

6.3.3 Sales Promotion – Tools/Technique

Sales Promotion are temporary activities which aim to encourage consumers to purchase a product immediately, increase its sales and attract new customers.

Tools and Techniques:

Consumer-Oriented Promotions

- o Discounts and price-offs
- o Coupons and vouchers
- o Free samples
- o Contests and sweepstakes
- o Buy-one-get-one-free offers
- o Loyalty and reward programs

Trade-Oriented Promotions

- o Dealer discounts and allowances
- o Trade shows and exhibitions

- o Point-of-purchase displays
- o Incentives for wholesalers and retailers

Sales promotions add urgency, drive demand, and can be a great way to clear out old inventory or get a new product launched.

6.3.4 Personal Selling – Process and Functions

Personal Selling is the interpersonal communication between a sales representative and an individual buyer with the objective of influencing purchase decisions and establishing long-term customer relationships. This is particularly critical for high-value or tailored goods.

Process of Personal Selling:

Prospecting – Identifying potential customers.

Pre-Approach - Collecting information about the customer.

Approach – To go up and open and start building comfort.

Presenting and Demonstrating – Describing product benefits and features.

Overcoming Objections – Resolving customer objections.

Close – Ask for the order; convince the customer to buy.

Follow-up – A way to guarantee that the customer is satisfied and will return.

Role of Personal Selling:

- Provides personalized solutions.
- Builds long-term relationships.
- Supports customer education and awareness.
- Serves as the eyes and ears for companies.

6.3.5 Public Relations Objectives and Techniques

PR is the strategic communication process made to build and sustain favorable image among the public, customer and investors including employees.

Objectives of PR:

- Protection and promotion of the reputation of the institution.
- Establish trust and confidence with stakeholders.
- Manage crises and minimize bad press.
- You like to be good visibility for marketing campaigns.

- Deepen long-term ties to the community.

Methods of PR:

- Press releases and media coverage.
- Sponsorships and community events.
- Corporate social responsibility (CSR) activities.
- Public service campaigns.
- Influencer and opinion leader endorsements.

6.3.6 Direct Marketing – Features and Channels

Direct Marketing refers to marketing in the form of a dialogue with unique customers instead of in the form of a monologue that most other advertising takes.

Features of Direct Marketing:

- Only one step away from reaching the consumer directly.
- Communications crafted to be relevant and engaging to the customer.
- Focus on generating immediate responses.
- Measurable effectiveness with feedback or response rates.

Channels of Direct Marketing:

- Direct mail (catalogs, brochures).
- Telemarketing (outbound and inbound calls).
- Email marketing campaigns.
- Mobile marketing (SMS, WhatsApp campaigns).
- Online platforms (company websites, e-commerce).

Direct marketing is very focused and economical, and therefore works both for big companies as well as small businesses.

6.3.7 Integrating the Promotion Mix

Promotion mix integration The process of using a combination of advertising, sales, public relations and other promotional tools in a systematic manner to communicate information about one's product or service. It is a strategy called Integrated Marketing Communication (IMC). Key Aspects of Integration:

- Coherence: That advertising, sales promotion, personal selling PR and direct marketing all convey the brand's qualities.

- **Complementarity:** When one tool reinforces the efficiency of another tool i.e at time advertising create awareness and simultaneously sales promotions help in instant action.
- **Coordination:** Coordinating across various departments, agencies and communication channels.
- **Customer Orientation:** Centre PMO with messaging that meets the needs of your target audience across each phase of their purchasing journey.

For instance, a new product's advertising may drive awareness, its sales promotion may elicit trial, personal selling may present the details of the offer, PR might create credibility and direct marketing may attempt to generate follow-up purchases.

Knowledge Check 1

Choose the correct option:

1. Which of the following is NOT a component of the promotion mix?
 - a) Advertising
 - b) Sales Promotion
 - c) Market Research
 - d) Personal Selling
2. Which type of advertising is mainly used to remind customers of a well-established brand?
 - a) Informative Advertising
 - b) Persuasive Advertising
 - c) Reminder Advertising
 - d) Comparative Advertising
3. "Buy One Get One Free" is an example of which promotional tool?
 - a) Advertising
 - b) Sales Promotion
 - c) Public Relations
 - d) Direct Marketing

4. The process of integrating all elements of the promotion mix to deliver a consistent message is known as:
- a) Direct Selling
 - b) Sales Promotion
 - c) Integrated Marketing Communication (IMC)
 - d) Publicity

6.4 Introduction to Digital Marketing

6.4:1 Meaning & Scope of Digital Marketing Meaning:

Digital Marketing: It is the process of using digital and online platforms, technology and channels to promote products, services or brand beyond organic search results. With traditional advertising, such as print newspaper or television, you can't really track your results; when digital marketing centers on the internet and mobile devices – which are interactive, personalized environments to reach customers but at a fraction of the cost.

Scope:

It's no wonder that digital marketing is so wide, since it includes just about everything consumers do online. It includes:

- Optimize your the search engine visibility for you.
- Social Media Marketing to foster engagement and community.
- Email and Mobile Marketing, to communicate directly with customers.
- Content Marketing towards educating and impacting the audience.
- E-commerce and Affiliate Marketing for online product selling and partnerships.

2)The digital marketing arena is also where you get to compete worldwide – even small businesses could get a chance in competing against larger companies.

6.4.2 Key Channels: SEO, SEM, Email, Social Media, Mobile

SEO (Search Engine Optimization) – This is the practice of modifying websites so that they rank high in organic search. It increases visibility and draws long lasting, cost efficient traffic.

Search Engine Marketing (SEM) – Pay-per-click ads on the internet through platforms like Google AdWords. It is a great way to ensure that you are seen and get traffic right out of the box through keyword bidding.

Email Marketing – Sending relevant and or targeted emails to customers for the purpose of informing, reminding, or promoting offers. It is also a popular tool for fostering relationships and creating loyalty.

SM-Using social media platforms such as Facebook, Instagram, LinkedIn and Twitter to market brands and engage with the audience in order to develop an online community around them.

Mobile Marketing –Reaching out to audience on their mobile devices with SMS messages, push notifications, in-app advertising etc.

All of these are complimentary and work together to ensure an effective digital marketing strategy.

6.4.3 Role of Content in Digital Campaigns

They call content the 'backbone' of the digital marketing. There is no DRS. (Defined Retention Strategy) No content no engagement can not have or retain audiences digital campaigns. Content can take on many shapes - may it be blog posts, articles or videos and podcasts, infographics to social media posts.

Roles of content include:

- Teaching the Customer Something – Educating customers about a product or something related to the industry.
- Trust – Quality, consistent content humanizes your client or company and fosters you as a reliable resource.
- Scoring SEO Points – Search engines do indeed use website content when ranking.
- Catching eye balls –Interactive, creative content keeps the eyeballs of clients.
- Driving Conversions- Well-planned content helps lead customers through the purchasing process.

In this way, content becomes not only a promotional vehicle but a strategic resource behind all of our digital channels.

Did You Know?

“Content is the backbone of digital campaigns. From blogs to videos, engaging content educates customers, builds trust, improves search rankings, and drives conversions, making it the most powerful tool for connecting with audiences online.”

6.4.4 Traditional vs. Digital Promotion

- **Reach:** Conventional advertising (newspapers, television, billboards) has broad but not well defined reach; and indeed digital promotion allows to focus the reach in specific segments.
- **Expense:** Traditional media can be costly; digital marketing provides flexible and affordable options appropriate for businesses of all sizes.
- **Interaction:** Conventional promotion is unidirectional communication; but digital promotion is bidirectional and enables customer interaction and feedback.
- **Measurability:** It’s hard to measure traditional promotion but digital delivers real-time analytics and performance tracking.
- **FLEXIBILITY:** It takes a long time to plan traditional campaigns; digital ones can be adjusted easily.
- **Geographic Reach:** Conventional promotion at best is geographically restricted to local or regional level, whereas digital promotion is unlimited.

These discrepancies explain why digital marketing has made a powerful charge in the current years.

6.4.5 Advantages and Challenges of Digital Marketing

Advantages:

Global presence – Companies can reach millions of people around the globe.

Cost effective – Digital channels can be much less costly than traditional media.

Direct Targeting- you can reach relevant demographics, interests and behaviors.

Measurability– Campaign tracking and analysis is easy with metrics such as click-through, conversion rates, and impressions.

Engagement Customer – Exchange of information between customers and organizations provide real-time feedback, extending relationships.

Flexibility and Speed – Campaigns can be started, adjusted at speed.

Challenges:

The Message is Crowded – Online space is busy with competing messages.

Ever-Evolving Technology – Companies need to stay current with algorithm and tool changes.

Privacy Law – Regulations such as GDPR limit how customer data can be used.

Internet Reliance – If customers do not have a good internet, they won't be able to access you.

Ad Fatigue – Customers will ignore or screen out specialized online advertisements.

Cyber Security Threats – Posing fake identity, hacking and spam can deface your brand.

Digital marketing is really a strong form of advertising but needs to be oriented, well planned and above everything genuine and decent so as to deliver the results you're looking for.

6.5 Summary

⊗ Promotion is a communication between sellers and customers that attempts to creating an awareness for products.

Objective behind promotion is to influence the consumer market by involving their attention directing their motive for purchase and force to true purchasing decision and point of sale.

⊗ The promotion mix includes advertising, personal selling, sales promotion, public relations and direct marketing.

⊗ Advertising seeks to create mass awareness through informative, persuasive and reminder advertising.

⊗ Sales promotion is a short-term incentive that aims to incite the immediate purchase.

⊗ Personal selling is concentrated on face-to-face relationship/partnership with customers.

PR- PR helps in generating and maintaining the brand image positively through communication strategically.

⊗ Use of Direct marketing person to person personalized means of communication Easy to monitor: It can monitored and measured More on customers' response.

⊗ Digital marketing broadens the promotion on SEO (search engine optimisation) and SEM (search engine marketing), social media, e-mails, and mobile.

Content is the backbone of digital marketing in informing, exciting and converting consumers.

6.6 Key Terms

Promotion – The act of telling, persuading and reminding customers about a product or service.

Promotion Mix – A mix of advertising, sales promotion, personal selling, PR and direct marketing.

Advertising – Paid, non-personalized communication through media to market products or brands.

Sale Promotion – Short-term incentives that encourage a purchase instantly.

Personal Selling – Personal meeting with salespersons and customers face to face.

Pr – Planned communication to establish and maintain favourable relations.

Direct Marketing, Telemarketing - Individualized or customized interaction with customers to provide immediate feedback or get sales (telemarketing).

Electronic Marketing – Utilisation of electronic media capabilities other than the world wide web and social websites.

Content Marketing – The process of curating and distributing relevant content in order to attract, inform and engage potential customers.

6.7 Descriptive Questions

What is meant the Promoting and explain the role of it in marketing mix?

Explain the major goals of promotion with appropriate illustration.

Describe the elements of the promotion mix and comment on their importance.

Discuss the importance of advertising in creating brand awareness and customer loyalty.

Describe the steps that occur in a personal selling situation and discuss its importance in customer relationship building.

Analyze the relative merits of conventional promotion methods and digital communications.

Explain the benefits and difficulties of digital marketing in a competitive market.

Describe the function of content in digital campaigns and how it can complement other digital marketing capabilities.

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Answers to Knowledge Check

Knowledge Check 1

1. c) Market Research
2. c) Reminder Advertising
3. b) Sales Promotion
4. c) Integrated Marketing Communication (IMC)

6.9 Case Study

Introduction

Promotion constitutes a fundamental element of the marketing mix as it enables businesses to generate awareness, develop a brand image and drive demand within competitive markets. In a world of plenty, an eight-dollar price tag can no longer be the only criteria on which to base purchasing decisions. They need get creative in their marketing efforts and work more closely with their clients. This featured case describes how a small, local brand used sales promotion as the platform for repositioning Rekorderlig in the face of stiff competition.

Background

GlowBite Snacks, a tiny packaged snack maker, started off with only word-of-mouth advertising and low pricing to peddle its product. As big brands hit the market with big ad campaigns, celebrities endorsing and digital promotions, GlowBite started losing its audience. The firm recognized that it had to engage in marketing activities to survive and prosper.

Problem 1 : The low level of brand awareness.

Target manual spray and Granular companies customers did not know who GlowBite was verses the bigger competitors which they advertised

on TV and social media. This, in turn, hurt sales.

Solution: We did a local posters, FM radio, social media campaign for the company. Sampling kiosks in super markets and universities facilitated the generation of initial awareness and recognition.

MCQ:

What was GlowBite's major challenge?

- a) Lack of production capacity
- b) Low brand awareness
- c) Poor distribution system
- d) High product pricing

Answer: b) Low brand awareness

Problem 2: Low Brand Image. On November 1, Nio announced that it has hired two leading international designers as Executive Directors of the Board (one from Sweden and one from Germany).

That's not even to mention the fact that GlowBite had no clear identity among its current customers. Competitors were ahead in the modern, fashionable and premium positioning and GlowBite was seen as old-fashioned.

Solution: The changing of the corridor was a physical reflection of some significant strategic changes, and in addition to repackaging and running social media contests, the company looked for local influencers whose lifestyle the new space could embody as being an exciting young brand.

MCQ:

What is the step that has helped GlowBite in improving its brand image?

- a) Lowering prices further
- b) Redesigning packaging and influencer tie-ups
- c) Reducing product variety
- d) Cutting production costs

Solution: b) Revamp the packaging and tie-up with influencers

Problem Statement 3: Intense Competition

Rivals always came up with new offers and strong launches hence it was challenging for GlowBite to preserve their customers.

Solution: GlowBite added some seasonal promotions, a “Buy 2 Get 1 Free” bonus, and an incentive program that -- as they put it -- “Gets People Hooked.

rewarded repeat customers. This allowed them to keep current buyers, while attracting new ones.

MCQ:

How did competition affect GlowBite?

- a) Stopped promoting its products
- b) Launched loyalty programs and offers
- c) Focused only on cutting costs
- d) Reduced product quality

Answer: b) Even instituted loyalty programs, offers

Conclusion

The GlowBite Snacks case reveals that such position, competitive or otherwise, depends heavily on advertising. With advertising, influencer collaborations, sales promotions and

loyalty programmes, the recruit was able to successfully rejuvenate its image and recover lost market share. It was successful publicity that allowed GlowBite to compete with bigger companies and earn customers' repeat business.

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Unit 7 Segmentation, Targeting & Positioning

Learning Objectives

1. Understand the concept and importance of market segmentation in business strategy.
2. Identify different bases and criteria for effective segmentation.
3. Analyze target markets using measurable, accessible, substantial, and actionable factors.
4. Differentiate between various targeting strategies (mass, differentiated, niche, and micro).
5. Explain the concept of positioning and its role in creating brand identity.
6. Learn how to develop effective positioning statements and value propositions.
7. Apply the STP framework to real-world marketing scenarios and case studies.

Content

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7.0 Introductory Caselet

“Finding Focus: How FreshSip Sparkled with STP in a Crowded Market.”

FreshSip is a young beverage company from the competitive Zandora. The market is already teeming with big players such as CoolFizz and AquaGo, which dominate the niche with strong brands and expansive distribution.

Initially, FreshSip attempted to be all things to everyone. But sales stayed sluggish, because customers didn't understand the point of FreshSip in comparison to other brands. Some dismissed it as just another soda; health-focused shoppers steered clear.

The founders later read into Segmentation, Targeting, and Positioning (STP). They did market research and identified distinct segments: young people, who loved fizzy fun; families, the budget-minded regular-drinkers; health-aware urban youth with an eye on natural and low sugar.

FreshSip decided to go after the health-conscious children for a couple of reasons; this area was up and coming, and wasn't as saturated. They billed themselves as “Zandora's first 100% natural fruit-sparkling drink with no sugar added. Marketing campaigns featured young professionals drinking FreshSip post-workout or during casual get-togethers.

This strategy worked. FreshSip differentiated against the competition, gained a loyal customer base, and began to grow in the health vertical.

Critical Thinking Question:

Why was it important for FreshSip to be thinking in terms of STP, and what might have happened if they continued trying to sell to everyone without an identify target?

7.1 Introduction to STP Model

7.1.1 Meaning and Overview of STP

STP model (Segmentation, targeting and positioning) The STP marketing is one of the most popular concepts in today's marketing: segment -target-and-position. It assists organizations divide a heterogeneous marketplace into smaller groups, select the most suitable market segments and then develop their marketing strategies around them thus making it possible to establish a superior position in the customer's mind.

- Overview of methods and results: Segmenting the entire market into homogeneous subgroups of consumers based on similar needs, preferences or functions.
- Target : Deciding which segments(s) the company will serve.
- Positioning:Developing a position for the product and brand in the minds of the selected segment.

Examples: Coca-Cola employs segmentation and targeting (diet-cautious consumers are different from taste-driven consumers) and positioning (Diet Coke = “smart choice for a healthier lifestyle”).

So, STP shifts from mass marketing (same product for all) to the customer centric approach (specific offerings to specific needs).

7.1.2 Importance of STP in Marketing Strategy

STP (Segmentation, Targeting and Positioning) is the foundation of customer-focused marketing because it makes certain that products, advertising and other communication tactics serve real customer needs. This can be summarized as follows:

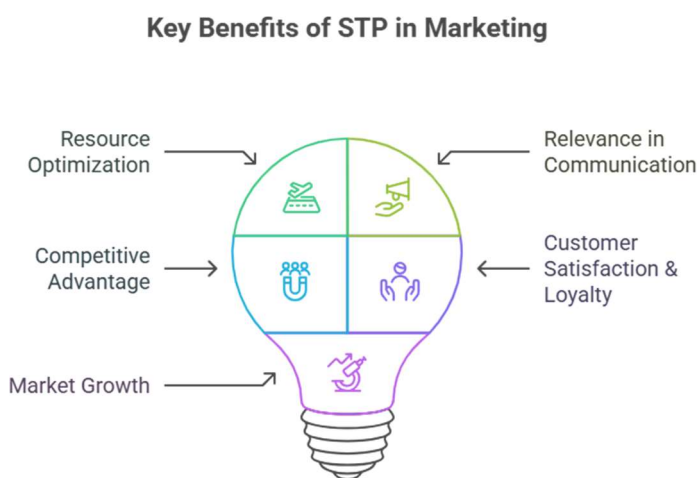


Figure 7.1

Resource Optimization

Rather than burn cash for all, STP focuses resources on the most valuable customer segments. That way no product goes to waste and we had a better ROI.

- Example: Airbnb markets against business traveler needs (affordability, convenience) and for vacationing families (comfort, local).
- Example: Spotify leverages datadriven segmentation to deliver targeted ads and personalized playlists, resulting in maximized ad revenue and customer engagement.

Relevance in Communication

Proprietary offers are customized and designed to appeal to the needs, desires and aspirations of certain customer segments, increasing the effectiveness of promotional activities.

- Exemplified: Mercedes-Benz does luxury, status and innovation for the premium buyer class. Acura uses fantasy, escapism and beauty in their communication styles.

Hyundai is about family-values, for middle-income families.

- Example: Coca-Cola employs youth-targeted campaigns like “Share a Coke” to highlight friendship and fun,

and selling health-conscious options, such as Coke Zero, to fitness-minded consumers.

Competitive Advantage

STP helps companies to differentiate their products in a crowded market. By carving a unique

consumer mindshare, brands can achieve enduring competitive advantage.

- Example: Apple is the premium, innovation-led brand and Xiaomi appeals to value-seekers with feature-rich budget smartphones.

- Example: Nike’s “Just Do It” slogan suggests a brand that is empowering and motivational, which is an edge over competitors such as Adidas and Puma.

Customer Satisfaction & Loyalty

When people feel a brand gets them, sees their lifestyle and understands what they need, they’re more inclined to trust that brand and remain loyal to it. Personalized marketing builds emotional connections.

- Example: Amazon draws on customer data to recommend products suited to shopping habits, enhancing satisfaction and repeat purchases.

- Example: The Starbucks Rewards Program applies personalization (free drinks, birthday offers, engagement through the app) to drive loyalty and repeat business.

Market Growth

By finding white spaces and positioning strategies, businesses can find a new or niche market and grow faster than rivals.

- Example: Tesla’s origin strategy was to cater to eco-conscious premium buyers and it later became widened by addressing lower income segments (Model 3) in mass markets.

- Illustration: Unilever develops special product forms of Dove, Surf Excel, Lifebuoy to address the urban premium end and the rural low income end.

Did You Know?

“Companies that use the STP approach are **60% more likely** to achieve higher ROI in their campaigns. By focusing on the right customers with the right message, brands like Nike and Coca-Cola have built global dominance — proving that targeting everyone rarely works in marketing.”

7.1.3 Relationship Between Segmentation, Targeting, and Positioning

The relationship between segmentation, targeting and positioning (STP) is similar to that of strategy, structure and environment in the Military Doctrine: Strategy dictates what should be done; the structure dictates how it will be done; and the environment describes where it will be accomplished [105].

The STP model isn't three things that can stand alone — it's a sequence of marketing strategy.

- Segmentation identifies the "possibilities."
- Targeting narrows down the "priorities."
- Position: Positioning determines the “identity” that the brand wishes to build in prospective customer's minds.

Relationship Flow:

Take the market itself → break it down.

Cherry pick the best bits → allocate resources accordingly.

Develop a positioning strategy → establish a clear brand identity.

Example:

- Market Segmentation will separate the smartphone market in Budget users, Mid-range users and Premium Users.
- Targeting: Apple is using the differentiated marketing strategy, it's targeting the upscale people.
- Position: Apple is positioned as a status, innovation, and entity category symbol.

Therefore, while segmentation uncovers the opportunities, targeting selects the battleground and positioning conquers the customer's

heart.

7.1.4 Process of STP

Segmentation targeting and positioning drives the STP process which requires a well thought out, methodical and customer focused approach to marketing. It enables brands to target the right prospects, develop suitable offerings, and communicate their messages convincingly. There are six main steps of the process:

Step 1: Market Segmentation

Definition: The process of dividing the market of a product into different groups or segments based on the shared characteristics of them.

Bases of Segmentation:

- Geographic: Region, climate, urban/rural
 - o Example: McDonald's sells McAloo Tikki vegetarian burgers in India and beef ones in the US.
- Demographic: Age, gender, income, education
 - o Distinct: e.g. Barbie is sold to young girls, but Rolex is targeted towards wealthy adults.
- Psychographic: Lifestyle, personality, values
 - o E.g. Harley Davidson targets rebels who are seeking freedom and consider adventure and uniqueness valuable themes.
- Behavioral: Usage, loyalty, sought benefits
 - o Example: Frequent-flyer programs give loyal passengers points, upgrades and special privileges.

Why Important? Segmenting is a way to break up your large and varied market into more planned manageable groups, so your marketing becomes really relevant to these particular groups.

Step 2: Evaluate Segments

Companies need to evaluate the attractiveness of each segment based on, for example, size, growth potential, profitability and competition. They should also assess whether they have the resources to effectively serve those segments.

- Example: A high-end watch company might not target college students even with a large market size because this group may have low spending power.
- Example: Tesla eschewed mass markets at first and zeroed in on wealthy, eco-conscious early adopters, where demand was strong and margins were fatter.

Why Important? Not all the segments are equally lucrative or play well to the brand's strengths. Careful evaluation

avoids wasted resources.

Step 3: Select Target Market(s)

Once segments are analyzed, companies determine the groups they will serve. Targeting Strategies:

- Mass Marketing: Standard product for the mass.

o For example: salt, sugar brands such as Tata Salt use mass marketing strategy as their products are consumed by one and all.

- Differentiated marketing: Different products for different audiences.

o Example: Unilever sells Dove (mild personal care), Axe (youth oriented deodorants) coaching and submissive.

Sunsilk (haircare) to different demographics.

- Niche Marketing – Target a very specific, specialized market.

o Example: Rolls-Royce only markets to the superrich, with LE Luxury Vehicles.

- Micro Marketing (Customization): Adapting products to individual customers or local markets.

o Example: Spotify generates tailored playlists such as “Discover Weekly” from each user isounals and arXiv.

preferences.

Why Important? The correct targeting strategy will ensure appropriate resource allocation and optimal customer resonance.

Step 4: Develop Positioning Strategy

Positioning means how you want the brand to be viewed by the ideal target segment.

Positioning Tools:

- Unique Selling Proposition (USP): How the product separates itself from its rivals.

o Example: Domino's USP: “30 minutes or free!” promise of delivery.

- Value Proposition: What value it offers (quality, cost-effectiveness, innovation, etc.).

o Example: Legendary self-assembly concept of IKEA with trendy furniture but worth the effort.

- Positioning Statement: What we know to be true inside.
 - o Example: “For health-minded kids, FreshSip is the first natural sparkling drink to offer a kick of fun in an honorary Metabolic Kick”
 - o In this example, the underlined words may have been used for emphasis (emphasis).

refreshment without added sugar.”

Why Important? When this happens, positioning is doing its job and customers understand why they should choose your brand over others.

Step 5: Implement Marketing Mix

There should be a consistent execution of the selected positioning in all 4Ps.

• For instance: A premium brand like Louis vuitton → Product – luxury leather goods; Price– high and

status-based; Place: high-end boutiques; Promotion: aspirational ads (celebrities).

• Example: Maggi noodles (mass-market brand) → Product: instant variety food; Price: less; Place: available in supermarts, grocers and rurals stores as well; Promotion: family-friendly advertisements(“2-minute noodles”).

Why Important? Even a good STP strategy is wasted if the marketing mix does not support it.

Step 6: Monitor & Revise

Markets are dynamic. Consumer tastes change, rivals roll out new products and technology changes everything. Continuous tracking enables companies to fine-tune their STP approach over time to stay relevant.

• Example: Nokia was once a mobile phone behemoth, but with the onslaught of smartphone technology it failed to adapt and lost its market leadership.

• Example: Netflix was able to reposition themselves from DVD rentals to streaming online and now creating original content in order to stay ahead of the market.

Why Important? Sustainability and competitive edge can be achieved only through continuous monitoring.

7.2 Market Segmentation

7.2.1 Definition and Purpose of Segmentation

Definition:

Market Segmentation: Market segmentation is the division of a broad, diverse market into identifiable, small groups of customers who share common need or characteristics or

behaviour. It can be assumed that each section shown previous will react in the same manner toward a company's marketing mix.

Purpose:

The rationale behind segmentation is that businesses prefer to attempt to meet the specific needs of a group of potential customers rather than to try to meet everyone's need with the same offer. This provides firms the flexibility to offer production plans, promotions, and distribution schemes that are close to the requirements of different customer segments. This process helps to enhance customer satisfaction and also assists in maximising resource utilisation, as well as positioning the company competitively.

7.2.2 Benefits and Challenges of Segmentation

Advantages to Market Segmentation:

Better customer-focused insights – Segmentation provides firms with a clear view of what different groups of customers need or want, leading to greater precision in product development and marketing.

More Efficient Use of Resources – You can target resources towards the most profitable sectors and save money that might have been wasted on less responsive groups.

Competitive Advantage - By serving the segment very well versus competition – ability to create stronger brand loyalty and differentiation Hosting Service Providers staying ahead of customer demand.

Enhance Customer Retention – Customized products not only forge stronger bonds with consumers, but also ensure repeat purchases and loyalty.

Strategic Growth Opportunities – Segmentation reveals neglected or nascent segments that offer untapped growth potential.

Challenges of Market Segmentation:

High Costs – Creating different marketing mixes for each segment leads to higher costs in production, promotion and distribution.

Operational Complexity – Coordinating between two segments and managing multiple segments can be complex operationally.

Risk 4 – Over-Segmentation If market divisions are too fragmented, there is a risk that focus will be diluted and profit reduced.

Changing Market Dynamic – Consumer demand and behavior changes rapidly, therefore segmentation strategies need to be continuously reviewed and refreshed.

Availability of Data and Quality – Access to quality data is key to successful segmentation, and low quality data can result in incorrect strategic choices.

7.2.3 Basis of Segmentation: Overview

Market Segmentation The market can be segmented based on a number of variables and there are numerous ways to segment it, which make the customer grouping meaningful. The main bases of market segmentation are:

Geographic Segmentation – This involves separating the market based on location (region, city, climate or population density). For instance, garment brands even follow the collection based on climate variation in various regions.

Demographic Segmentation: This involves segmenting the market on the basis of demographic variables such as age, sex, income, occupation or family size. For instance, luxury brands cater to high income and toy companies target children.

Psychographic Segmentation– Divides consumers based on lifestyle, personality or values characteristics. For instance, fitness brands are going after health-conscious active lifestyle consumers.

Behavioral Segmentation – Divides population on the basis of their behaviour, usage and decision making pattern such as usage frequency, brand loyalty, benefits sought etc. One of the ways that is illustrated is with airlines, where there are frequent flyer programs.

These are the bases for segmenting customers and plan strategy around them.

7.2.4 Criteria for Effective Segmentation

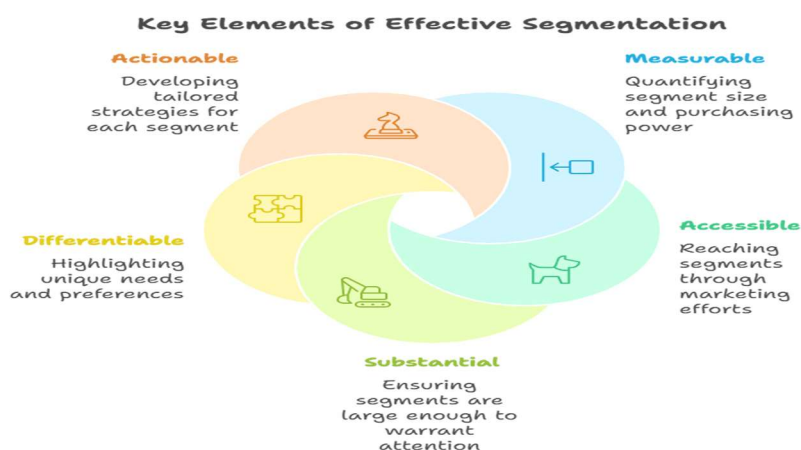


Figure 7.2

For segmentation to be applicable, the discovered segments should satisfy some properties. The acceptable criteria for segmentation are:

Quantifiable – The segments should be measurable in terms of size, purchasing power and profiles. Without measurement, it's impossible to judge the potential of the segment.

Accessible – The segment should be able to be effectively reached and served with marketing.

Significant size – The segment should be big or lucrative enough that it will warrant as (at least some) separate marketing to reach. very small pieces might not yield the ROI you're looking for.

Discernable – The subgroups should be separable from one another based on either characteristic needs or response to marketing initiatives. Overlapping segments may diminish the targeting efficiency.

Actionable - The company should be capable of formulating actionable marketing programs to reach and support the segment. If we can't get to a piece with some sane strat, it is unactionable.

These requirements are to ensure that the segmentation process produces actionable, profitable and sustainable marketing strategies.

“Activity”

Identify a popular brand (e.g., Nike, Coca-Cola, or Apple) and analyze how it segments its market. List at least two bases of segmentation (demographic, geographic, psychographic, or behavioral) the brand uses. Discuss why these segments are effective and how they influence the brand's marketing strategy.

7.3 Basis of Market Segmentation

7.3.1 Demographic Segmentation(age, gender, income etc.)Definition:

Demographic segmentation: The market is segmented on the basis of objective, quantifiable social and economic characteristics such as family income, age, education, gender etc.

Examples:

- Age: Children are the subject of toy producers, compared to senior or middle-aged customers for insurance companies.

- Gender: Cosmetics, such as makeup brand L'Oréal's various product lines for men and women.
- Income: High-income groups are targeted by Rolex or Mercedes-Benz etc while on the other hand low-income customers are catered to by budget brands like Walmart.
- Education/Profession: Professional software tools are sold to educated professionals, on the other hand vocational training institutes cater students or beginner level users.

Importance:

Demographic information is straightforward to measure, and already readily available through census and survey records, making it an intuitive way to predict consumer demands.

7.3.2 Geographic Segmentation (region, climate, density) Definition:

Geographic segmentation organizes consumers according to location, climate, population density) or cultural region.

Examples:

- Region: Food companies serve up region-specific flavors, and McDonald's has been offering McSpicy Paneer since India but McRib in the USA.
- Climate: Winters clothes brand like North face will cater to cold areas and so is for light clothing brands in tropics.
- Population Density: Urban, vs rural states may like fast food DAs/Rural want product with bigger packaging for families.

Importance:

Geographical segmentation allows companies to tailor their products to local tastes, customs and climates. It also is more efficient for them in terms of distribution and promotion.

7.3.3 Psychographic Segmentation (lifestyle, personality, values) Definition:

Psychographic segmentation Psychographic segmentation is a method that uses the trait of consumers like lifestyle, personality, attitude etc.. to segment the market.

Examples:

- Lifestyle: A fitness brand goes after active people through workout clothes, Netflix through entertainment-enthusiast audiences.
- Personality: Jeep for the adventuresome and rough-hewn personality, Apple for the creative and revolutionary personality.

- Values: Brands like Patagonia could appeal to those consumers that consider sustainability and environmental friendliness as important.

Importance:

It's this type of segmentation that lets marketers look at the underlying motivations shared by consumers and learn how to resonate with them on a personal, non-demographic, level.

7.3.4 Behavioral Segmentation(usage rate, loyalty, benefits sought) Definition :

Behavioral segmentation identifies customers according to their interaction with the product, for instance how frequently they make purchases, brand loyalty, readiness to buy or desired benefits.

Examples:

- Addressing Use: Airlines can classify its customers as light, medium and heavy travelers.
- Loyalty: Customers loyal to the Starbucks received special offers and membership privileges.
- Desired Benefits: Some toothpaste shoppers are looking for whitening benefits, others for cavity protection or sensitivity relief.
- Events: We offer products for national holidays, birthdays and celebrations."

Importance:

Behavioral segmentation connects marketing directly to consumer behavior and is one of the most actionable grounds for driving sales and loyalty.

7.3.5 Application of Multiple Segmentation Bases

Definition:

Companies are seldom, if ever, targeting on the basis of a single individual segmentation approach. Instead, take multiple bases from to form a cleaner and actionable profile which is more accurate.

Examples:

- Nike: Uses demographic (age and income), psychographic (exercise software) and behavioral ((using Nike+ app)) segmentation.
- Coca-Cola: Coca-Cola uses geographic (a hot climate needs a cold drink), demographic (the market for young people) and behavioral (loyalty programs) segmentation at the same time.

- Automotive Sector: Luxury vehicle manufacturers can use the combination of demographic (income), geographic (urban-based) with psychographic (status conscious lifestyle) segmentation.

Importance:

On the other hand, the use of various segmentation bases also enable a more in-depth understanding of customers, leads to even better targeting and reduces potential generalization errors.

7.4 Targeting

7.4.1 Meaning and Importance of Targeting Meaning:

For our purposes, selecting target market segment(s) means to decide which segment of the market we are going to go after. While segmentation determines the possible clusters, targeting helps a company decide which (s) it should serve and how best to allocate resources.

Importance:

- Makes sure that your advertising reaches the most responsive customers.
- Assists developing higher sales and practice profitability through focus on your most promising segments.
- Enables optimization of the marketing mix in a customized manner, and enhances customer satisfaction.
- Develops the deeper type of brand positioning, reflecting superior market coverage versus the competition.
- Minimizes waste of resources by discarding less profitable or irrelevant clusters.

7.4.2 Market Coverage Strategies

Market coverage strategies as the overall company's plans on reaching their target market.

These include:

Mass Marketing (Undifferentiated) – A single product and a single campaign to reach the entire market.

Differentiated (Segmented) – A strategy which involves targeting either a few or several segments with separate products.

Specialized (Niche) Marketing – Concentrating on one sector with unique products.

Micromarketing (Local or Individual Marketing) – Products are customised to very small groups or even the individual.

The decision of which strategy to use will vary based on company resources, type of product, competition and customer needs.

7.4.3 Undifferentiated (Mass) Targeting

Definition:

Undifferentiated marketing treats the market as one huge segment and disregards any segment differences. All customers get access to the identical product, pricing, distribution and promotion.

Examples:

- Third-rate products, such as salt, sugar and certain basic utilities are often sold like this.
- Early on, Coke sold one-size-fits-all to everyone.

Advantages:

- Standardization lowers production and marketing costs.
- Broad coverage of the market and potential for scale.

Limitations:

- Non fulfillment of consumer requirements.
- Opportunity of becoming irrelevant in ultra competitive and varied markets.

7.4.4 Differentiated (Segmented) Targeting

Definition:

Differential targeting refers to an approach serving several market segments with different product or mixes per segment.

Examples:

- There are several types of shampoos sold by Unilever which includes under brands name Sunsilk, Dove and Clinic Plus for different market segments.
- Car manufacturers such as Toyota make economy cars, middle-of-the-road sedans and luxury automobiles for different income levels.

Advantages:

- Better addresses varying customer needs.
- Reduces enterprise risk through diversification across segments.
- Builds brand throughout multiple geographies.

Limitations:

- Higher production and marketing costs.
- Requires greater management coordination.

7.4.5 Concentrated (Niche) Targeting

Definition:

Niche targeting concentrates on serving one or a few small segments with specialized product offerings.

Examples:

- Rolex is aiming at the super high-end of the watch market.
- Vegan skincare brands go after eco- and animal-friendly consumers.

Advantages:

- More customer loyalty because of specialized offers.
- Efficient use of limited resources.
- Makes it easier to position you as a specialist in your niche.

Limitations:

- Heavy reliance on a single market segment.
- Susceptible to shifts in taste or economic downturns in that industry.

7.4.6 Micromarketing and Customization

Definition:

Micromarketing customizes and personalizes both products and marketing programs for very specific groups, sometimes one individual.

It consists of neighborhood or city marketing (local and individual).

Examples:

- Local restaurants offering region-specific dishes.
- Nike's customization service "Nike By You" for creating personalized shoes.
- Spotify generating unique playlists for individual users.

Advantages:

- Provides a highly personalized experience.
- Strong log into the customer and brand Builds partnerships while maintaining confidential information from stakeholders; interpreting business tensions.

- Distinguishes the company in competitive industries.

Limitations:

- The lack of economies of scale resulting in high costs.
- Complicated operations and logistics to deliver personalized products.

7.4.7 Factors Influencing Target Market Selection

Choosing the best target market is an important milestone in creating a successful marketing process. Not all segments are created equal, so companies need to be careful about where they invest. There are others I couldn't find that bus only off the top of my head and I forget, but all these play a HUGE factor:

Market Size and Growth Potential

Bigger, faster growing markets are often sweeter as there's more opportunity to sell and get bigger. But firms have to also weigh size against whether they can effectively serve the market.

- Case in point: Apple focuses on the higher market with size and potential of growth is not as big as low-end phone, but people are richer.
- Example: Netflix surges in India as streaming comes of age and internet is too slow.

Competition

Highly competitive markets might demand big spending for branding and differentiation, while less demanding niches would be easier to enter.

- Example: In the carbonated drinks market, PepsiCo faces fierce competition from Coca-Cola and it could be expensive to own that market.
- Example: When Tesla started, there was little strong competition in electric vehicles, helping it win market leadership at the start.

Company Resources and Capabilities

A firm must evaluate its ability to adequately serve a target segment in terms of financial, technological and human resources. You can definitely tarnish the brand by going into a segment that you're not properly equipped for.

- Example: Nike is able to serve multiple customer segments (athletes, casual wearers, kids) because of its global distribution and marketing muscle.

- Example: A small startup might not have the resources to enter the luxury car market, in which case it might focus on a mid-tier or niche customer base.

Profitability

The (expected) performance of a market segment should be commensurate with the amount it needs to pull in. Companies weigh margins, potential pricing and long-term revenue prospects.

- Example: Rolex sells fewer watches than mass-market watch brands, but makes high margin products with premium pricing.
- Example: Fast-food chains such as McDonald's work off of slimmer margins, but make up for it in high sales volume and return visits.

Compatibility with Company Objectives

The target market selection must be consistent with the firm's vision and mission, its long-term objectives and its general marketing strategy. Participating in unrelated or conflicting markets may cause customers to be confused and diluted brand image.

- Most resonate: Patagonia's ultradurable, sport-tested apparel and equipment is preferred by eco-aware competition among the company's key customer segments, fitting its sustainability mission.
- Example: Google steers clear of markets that don't align with its tech-focused innovation mission, and instead pushes into spaces such as AI technologies, cloud computing and digital advertising.

Accessibility

The segment needs to be accessible through distribution and communication. And if an enterprise can't get its product or message through, maybe the segment isn't worth it.

- Instance: Coca-Cola provides access by accessing the country's urban supermarkets and rural stores with a large distribution network.
- Example: Internet commerce platforms such as Amazon depend on robust digital channels to tap into customers from rural regions.

Stability

Firms want segments that are relatively stable and not susceptible to rapid or unpredictable demand, regulation, fashion. With stable markets comes reduced risk with an eye on long-term investment.

- Example: Luxury goods (Louis Vuitton, Gucci) stays stable as demand for high fashion holds up better to recessions among the ultra-rich.

- Example: Nokia was a former leader in mobile phones but lost its grip on the market because of volatile consumer preference and an inability to accommodate demands for smartphones.

Knowledge Check 1

Choose the correct option:

1. **Targeting refers to:**
 - a) Dividing the market into groups
 - b) Selecting segment(s) to serve
 - c) Creating product positioning
 - d) Designing marketing mix
2. **Which strategy treats the whole market as one?**
 - a) Differentiated targeting
 - b) Concentrated targeting
 - c) Undifferentiated targeting
 - d) Micromarketing
3. **Rolex focusing only on luxury customers is an example of:**
 - a) Mass marketing
 - b) Differentiated targeting
 - c) Niche targeting
 - d) Local marketing
4. **Personalized playlists by Spotify represent:**
 - a) Mass targeting
 - b) Differentiated targeting
 - c) Concentrated targeting
 - d) Micromarketing

7.5 Positioning

7.5.1 Concept and Importance of Positioning

Concept:

Positioning is the act of designing a company offering and image to occupy a distinctive space in the mind of the target market. It's what makes one brand be perceived in relation to competitors and how it occupies a special part of consumers' remembering repertoire.

Importance:

- Assists in separating a brand from its competitors.
- Establishes customer loyalty through understanding and consideration of the customer needs.
- Directs marketing mix choices such as product design, pricing and promotion.
- Builds a solid identity that helps build brands over the long haul.
- Uplifts customer's top-of-mind and preference during the moment of purchase.

7.5.2 Positioning Strategies (attribute-based, benefit-based, etc.)

There are many ways companies choose to place their products in the market. Some common strategies include:

Attribute-Based Positioning – Highlighting a specific product feature or quality.

Example: Volvo is all about “safety.”

Benefit-Based Positioning – Emphasizing the benefits customers gain from the product.

Sensodyne toothpaste is marketed for “sensitivity relief.”

Use or Application-Based Positioning – Positioning based on specific use cases. Example: Gatorade is marketed as a drink for athletes.

User-Based Positioning – Associating the product with a specific type of user.

Johnson's Baby products market themselves as safe for babies.

Competitive Positioning – Positioning directly against competitors to highlight superiority.

Example: Pepsi presents itself as the younger alternative to Coke.

Positioning by Quality and Price – Linking the brand to higher quality or a lower price level.

Example: Rolex is positioned as a luxury watch; Walmart is positioned as a low-price retailer.

7.5.3 Differentiation vs. Positioning Differentiation:

Differentiation is a process of distinguishing a product or service from others in the market to make it more attractive to the target audience. It is concentrating on what is the product's distinctive.

Positioning:

Positioning is about a unique image in the customer's mind. In part, this is a function of the way the product itself is framed.

Key Difference:

- Diffed-up: differences are real (in the product).
- Positioning is relative (how customers view the differences).

Example:

Apple's iPhones stand out for design and ecosystem integration. Its positioning is built around

"innovation and premium lifestyle."

7.5.4 Perceptual Mapping and Positioning Statement

Perceptual Map:

Perceptual mapping is a graphical technique used by marketers that attempts to visually display the perceptions of customers or potential customers.

- Example: An automobile perceptual map might position BMW as "high quality–high price" and Toyota as "good quality–moderate price DataColumnsns.
- It helps companies spot niches in the market and reposition if necessary.

Positioning Statement:

A positioning statement is a brief, internal message that delineates marketing objectives. It usually follows this format:

- For [target audience], [brand/product] is the [frame of reference] that [point of difference], because [reason to believe].

Example:

"For young people who care about health, FreshSip is the only natural sparkling drink that provides refreshment without

added sugar, because it's pure fruit extracts."

7.5.5 Positioning Errors to Avoid

Mistakes to avoid in your positioning The most common are:

Under-Positioning – Not making a solid identity in the mind of the consumer and allowing confusion. Example: A product that was advertised so misleadingly, too broad, etc.

Over-Positioning – Creating too narrow an image that limits appeal. Example: A brand of car advertised as only ultra-luxury which turns off the mid-range purchasers.

Confused Positioning – Sending inconsistent or contradictory messages. Sample: A brand messaging itself as affordable and a high quality premium product.

Doubtful Positioning – Making claims that are not credible or believable. Sample: A low-cost phone that proclaims itself better than the best flagship models.

By preventing these mistakes, your positioning will continue to be clear, consistent and believable in the minds of the buyers.

7.6 Repositioning

7.6.1 Meaning and Need for Repositioning

Meaning:

Repositioning is the art of changing a challenger brand existing image/identity/perception in the mind of consumers. It requires the brand's positioning strategy to be changed in response to shifting market dynamics, customer tastes, or competitive forces.

Need for Repositioning:

- Consumer Evolution: When lifestyle, values and tastes evolve with the passage of time, companies should update their brand image to keep up.
- Competitive Pressure: Dynamic competition may compel a brand to reposition by seeking points of differentiation.
- Advances in Technology: New technologies might render current positioning obsolete.
- Declining sales: Reposition can rekindle demand when growth of a product slows.
- Market Penetration: A firm is able to reach new market segments through re-targeting.
- Brand with a negative image: If an organization has got a bad name, repositioning can improve the brand image.

7.6.2 Repositioning Strategies and Examples

There are a few tactics that companies use to reposition their brands. Common strategies include:

Targeting a New Customer Segment:

- o Old Spice used to be thought of as a brand for an old man, but that mentality changed because of how they marketed themselves with modernized advertisements as well as funny ones.

Changing the Value Proposition:

- o Example: McDonald's transitioned from the "fast food" brand to focus on: healthier, salad and the sustainability play to hook the wellness consumer.

Going From Features to Benefits is Drawing the Change:

- o Example: Sensodyne changed their communication from ingredient to the benefit of relief from sensitivity.

Rebranding and Image Change:

- o Example: Burberry shifted from out-of-date and counterfeit fashion to high-end luxury apparel and fashion through new designs as well as endorsements.

Price Repositioning:

- o Example: Tata Nano was introduced as the "cheapest car" which did not work. Efforts were later made to re-market it as a "value-for-money compact city car."

Geographic or Cultural Repositioning:

- o Example: KFC offers quite a different menu by country and relocates itself in terms of cultural food habits.

7.6.3 Risks and Challenges of Repositioning

Repositioning comes with risks and challenges although it can greatly transform us:

Risk of brand loyalty: Current customers could feel alienated if the reposition is inconsistent with what they hold valuable.

Market confusion: When not communicated effectively repositioning might confuse the market about what a brand actually stands for.

High expense: Repositioning frequently involves heavy commitment of time, effort and money in terms of product alteration, re-advertising and distribution.

Competitive Reaction: Competitors can easily imitate or respond to repositioning efforts.

Risk of Fit: There's no certainty the new positioning will work for the target customer set.

Inauthenticity: Your brand can come across as inauthentic if the shift seems too contrived or contrary to your brand history.

Did You Know?

Nearly **80% of repositioning attempts fail** because customers either do not understand the new message or feel disconnected from the brand's changed identity. High costs, market confusion, and loss of loyal customers are common risks, making repositioning one of the most challenging marketing strategies to execute successfully.

7.7 Summary

⊗ Segmentation – Segmenting is the act of breaking a large market into various smaller groups with common needs or characteristics.

⊗ Target segment – Choosing one or more of these segments for concentration of marketing activities.

⊗ Positioning – Establishing a desired image of brand or product in its own mind compared to the target market.

⊗ Demographic Segmentation – Classifying the market into groups based on readily identifiable measurable aspects including age, sex, income or education.

⊗ Territorial Segmentation – This involves dividing the customers based on geography (i.e., region, climate or population density).

⊗ Psychographic Segmentation – Dividing customers on the basis of lifestyle, personality and values.

⊗ Behavioural Segmentation: grouping of customers according to use of the product, brand loyalty or benefits sought.

⊗ Targeting Specific – Methods are vicious, implicit and need based strategies.

Positioning Strategies – the process of branding and the structures related to a brand based on attributes, benefits, usage or users (competition or price-quality).

⊗ Differentiation vs. Positioning – Differentiation creates uniqueness in products; positioning shapes perceptions among customers.

⊗ Perceptual Mapping – A graphical representation that indicates how customers view brands in terms of the key descriptive dimensions.

Repositioning – The process of changing the current perception that a brand evokes, either to be more suitable to competitive environment or more appropriate for targeted consumer segments.

preferences.

7.8 Key Terms

Market Segmentation - A marketing process of dividing a large market into subsets of consumers who have the same needs.

Targeting – Identifying specific groups to best serve with personalized marketing plans.

Positioning – Creating a unique brand perception among the target market.

Demographic Segmentation – Categorizing markets according to age, gender, income level, education or family size.

Geographic Segmentation – Dividing the market by cities, climate or population density.

Psychographics Segmentation – Categorizing customers according to desires, lifestyles and values.

Behavioural Segmentation – Bifurcating the customer based upon their purchasing decision, loyalty or what benefits they want.

Perceptual Map – A graph that depicts how customers think about brands in terms of things such as price and quality.

Repositioning – Rebranding a brand in response to shift in market.

7.9 Descriptive Questions

Define market segmentation. Elaborate their usefulness and significance in contemporary marketing tactics.

Explain the bases of segmentation with examples from various industries.

What are some of the pros and cons to segment your customers? Illustrate with real-world cases.

Explain the different targeting strategies. What approach is best for a start up and why?

Distinguish between undifferentiated, differentiated, concentrated and micromarketing with examples.

What is positioning? Distinguish between various placement mechanisms adopted by the company in developing the brand.

Differentiate between differentiation and positioning with some examples.

What is repositioning? Explain when a company should consider repositioning its brand and what types of strategies it can use to do this.

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Answers to Knowledge Check

Knowledge Check 1

1. b) Selecting segment(s) to serve

2. c) Undifferentiated targeting
3. c) Niche targeting
4. d) Micromarketing

7.11 Case Study

The Role of STP in the Success of FreshBite

Introduction

Competing in the marketplace demands more than making a product, it requires a solid plan for reaching your target customer base. Startup death: what we can learn from 4 failed startups Many companies fail because they try to be everything for everyone and they don't have a focus. The STP model aids marketers to determine segments among the market and decide which popularly-named target groups are best suited, then spawns a relevant positioning. This case discussion demonstrates how FreshBite, a healthy snacks manufacturer, used STP to increase market penetration.

Background

FreshBite was an insurgent in the category, bringing bars to market that would compete with established brands. When the company was founded, it initially marketed its bars as "healthy snacks for all." But the sales flatlined, because customers viewed FreshBite as yet another generic label. In order to overcome this, the company adopted the STP model to focus on their marketing.

Issue 1: A lack of distinct Segmentation

New Love: FreshBite initially marketed to all and therefore had a compromising positioning and weak differentiation.

Solution The organization performed market research and found its prime prospects were enthusiasts of fitness, working professionals, parents looking for healthy snacks for their children as well as cost sensitive consumers.

MCQ:

What was FreshBite's initial mistake?

- a) Overpricing its products
- b) Ignoring segmentation

c) Using too many distributors

d) Limited production capacity

Answer: b) Ignoring segmentation

Problem Statement 2: Unfocused Targeting

Although FreshBite discovered segments, it also faced difficulty in picking the best group to focus on. Casting too wide a net was inherently inefficient in terms of promoting and distributing the film.

Solution: FreshBite assessed segment attractiveness based on size, growth, profitability and accessibility. It targeted health-conscious urban youth as its core market segment, given their increasing interest in natural and on-the-go snacks.

MCQ:

What was the most pertinent consideration FreshBite gave while choosing its target?

a) Tradition

b) Accessibility and growth

c) Random selection

d) Competitor choice

Answer: b) Accessibility and growth

Problem 3: Ineffective Positioning Strategy
SIDE NOTE AND PROBLEM #4:-) I wrote these descriptions because I am not there to talk you through the problems.

“Snack for anyone” was FreshBite’s original tagline, which wasn’t particularly unique. Consumers did not view

it to other big brands that are out there.

Solution: FreshBite repositioned with the message: “For health conscious young professionals, FreshBite is the only natural granola bar that delivers fast energy with no preservatives because it’s made from 100% organic ingredients. The brand capitalized on its natural and preservative-free edge. MCQ:

What was FreshBite's strategy for repositioning itself?

a) Price-based positioning

b) Attribute and benefit-based positioning

c) User-based positioning only

d) Competitive imitation

Answer: b) Attribute and benefit based positioning

Conclusion

The example of FreshBite shows the influence of using STP as marketing strategy. With a better market segmentation, focus on the most attractive segment and clear positioning, FreshBite created a distinct identity. This was able to help the brand stand out, gain repeat purchases, and win in the healthy snack category.

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Unit 8. Consumer Behaviour

Learning Objectives

1. Understand the concept and scope of consumer behaviour in marketing.
2. Identify key psychological, personal, and social factors influencing consumer decisions.
3. Analyze the stages of the consumer decision-making process.
4. Examine cultural and subcultural influences on buying behaviour.
5. Learn the role of motivation, perception, and attitudes in shaping consumer choices.
6. Evaluate the impact of reference groups, family, and social class on consumption patterns.
7. Apply consumer behaviour insights to design effective marketing strategies.

Content

- 8.0 Introductory Caselet
- 8.1 Introduction to Consumer Behaviour
- 8.2 Interdisciplinary Nature
- 8.3 Related Concepts
- 8.4 Summary
- 8.5 Key Terms
- 8.6 Descriptive Questions
- 8.7 References
- 8.8 Case Study

8.0 Introductory Caselet

“BrightMart and the Power of Consumer Behaviour”

BrightMart: a retail store located in a bustling city. It recently noticed that people were stopping in but not buying as much as they used to. To lure them in, BrightMart offered discounts, loyalty cards and even shifted its shelves to bring products nearer to the entrance. Initial sales did get a bump, albeit small — and then the effect wore off.

Management sensed there was an undercurrent and bigger driver of customer behavior. Some customers were concerned about eco-friendly packaging, some wanted to be more like their friends and the recommendations they read online, and a few let family traditions decide what they purchased. Younger buyers wanted new trendy things, older customers favored tried-and-true brands.

In order to have a better understanding of this, BrightMart looked into consumer behavior theories-- They looked at how relationships affected buying decisions psychologically — for instance, perception and motivation; socially (for example, through families and peers), and culturally (values and traditions.) They also dissected the decision-making process — problem recognition to after-the-fact evaluation.

Armed with these insights, BrightMart experimented with new approaches: eco-friendly product lines, celebrity endorsements, family-bundle deals and age-targeted loyalty programs. As a result, customers felt they were understood better, sales increased and the brand established long-term loyalty.

Critical Thinking Question

What did BrightMart stand to gain from considering consumer behaviour before tweaking its marketing plan, and what implications (and risks) would it have faced if they had focused exclusively on discounted products and promotions?

8.1 Introduction to Consumer Behaviour

8.1.1 Behaviour-Meaning and Definition Meaning:

Consumer behavior is the study of how people, groups or organizations select, buy, and use goods, services, and experiences to satisfy their needs and wants.

Definitions:

- From Schiffman & Kanuk: “Consumer behaviour is defined as the behavior that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs”
- In the words of Kotler & Keller: “Consumer behaviour is the study of how people, groups or organisations select, buy, use and dispose of goods, services, ideas or experiences to satisfy their needs and wants.

Put simply, consumer behaviour is about what and why people purchase, where they purchase and how they consume.

8.1.2 Importance of Studying Consumer Behaviour

It is important for businesses to undertake research on consumer behavior so that they can understand the way in which customers make decisions. Its importance lies in:

Needs and Wants Knowledge -Aids companies in determining the triggers that lead customers to buy.

Enhancing Product Development – Understanding how consumers behave guides the creation of products that align with consumer preferences.

Effective Advertising Communication – Understanding consumer attitudes and perceptions leads to effective communication in advertising.

Customer retention – By analyzing the post purchase behaviour, organizations can build loyalty plans.

Anticipating Market Trends – Knowing how consumer tastes are changing can help companies predict which products will be in demand.

Decreasing the Chance of Failure – A product, as well as a campaign that is built on consumer insights, are more prone to succeed.

8.1.3 Applications in Marketing Strategy

Consumer behaviour is integral to determine how businesses develop and implement their marketing strategies. By knowing why customers act, how they choose and what these decisions are based on; businesses can make plans more effectively. The applications presented here are:

Application of Consumer Behaviour Studies in Marketing Strategy



Figure 8.1

Segmentation and Targeting

By learning about consumer behaviour, companies are able to segment markets, placing each group of customers whose needs are similar so that the company can meet those needs. It permits companies to concentrate only on the groups of people with the highest propensity to buy their products.

- Example: A beauty brand can tailor to young adults with acne-related products, while targeting seniors with anti-aging creams.

Positioning

Positioning is a process of building unique brand image in the mind of consumer. Insights into consumer

behaviour allow companies to understand how customers view various brands and how they themselves wish to be perceived.

- Example: Volvo is “the safe car” brand: Safety has high value for its target audience.

Product Decisions

Consumer Preferences – Determines what product features, design, quality and packaging are needed. Companies look at data on consumer preferences to learn what types of products people actually want.

- Example: Smartphone manufacturers such as Samsung and Apple regularly improve camera quality; this is what customers consider a key feature.
- Instance: People have got aware of their environment so any brands are using Eco friendly packing now a days.

Pricing Strategies

By understanding what your consumers are willing to pay for a product, businesses can determine a price range that is deemed reasonable and fair with the customer. Pricing is also driven by customer psychology — some people prefer sales, and others associate higher prices with better quality.

- Example: High-end brands, such as Rolex or Louis Vuitton, are motivated to keep their prices high in order to project an image of exclusivity.
- Example: Retailers such as Walmart lure price-sensitive consumers with their everyday low prices.

Promotion

Promos and ads will be a hit as long as they connect with customer motives, feelings, and the way they live. Research into consumer behavior informs what exactly those messages, and the tone in which it should be delivered, and where you should place them.

- “Nike’s “Just Do It” campaign aspires the audience by associating sports with empowerment and motivation.

motivation.

- Example: Coca-Cola does so by making emotionally healthy advertising that is all about family and friendship.

Distribution Channels

It also factors into where and how products might be made available. Employees must be able to access products at the locations where customers prefer to do business, whether offline or online.

- Example: Amazon caters to one type of consumer, the convenience-oriented online shopper; groceries stores like Walmart serve another, the in-store dawdler.
- For instance: Luxury labels such as Gucci are made available only in high-end stores so as to control its premium image.

Brand Loyalty Programs

Businesses leverage consumer behavior data to create programs that help consumers continue the buying cycle and become their customers. These are programs that pay customers to be loyal.

- Example: Starbucks Rewards rewards frequent buyers with free drinks and personalized offers.
- Example: Airlines maintain frequent-flyer programs where passengers get points and upgrades for flying often.

8.1.4 Evolution of the Concept

Consumer behaviour has developed a number of theories from other disciplines such as economics and sociology, albeit the discipline is largely an interdisciplinary ground where it absorbs theory from these related fields.

Early Years (Pre-1950s): Economics: Based on the idea that consumers act in a rational manner to maximize utility.

Post-World War II (1950s to 1970s): Psychological theories including motivation, perception and learning were applied, since purchasing is not exactly rational, it's influenced by feelings and attitudes.

Modern Era (1980s–2000s): Incorporating sociology and anthropology; culture, social class, and reference group function.

Current Stage (2000s–Present): Consumer choices reflect digital influence, online reviews, social media, and personalized marketing. This stage suggests technology and globalization impact purchasing decisions.

Did You Know?

“Consumer behaviour was once studied only through economics, assuming buyers made purely rational choices. Over time, psychology, sociology, and anthropology were added, revealing that emotions, culture, and social influences strongly affect purchases. Today, digital platforms, social media, and data analytics are central to understanding modern consumer behaviour.”

8.2 Interdisciplinary Nature of Consumer Behaviour

8.2.1 Relationship with Economics

It is a choice-based theory which considers consumer as rational person who wants to maximize utility (satisfaction) within constraint and limited availability of resources.

- The theory of consumer demand is a theory that explains will impact prices and income on decisions to purchase.
- According the Utility Theory, consumers decide what to purchase based on maximum satisfaction.
- Drawbacks: Pure economics does not have anything to say about emotions, social considerations and cultural aspects which modern consumer behaviour science incorporates.

Example: A purchaser of a cheap smartphone may be described as an economic, rational decision to maximise cost-effectiveness within a budget.

8.2.2 Influence of Psychology on Consumer Decisions

Psychology deals with the internal influencers of consumer's thoughts, feelings and actions while making purchases. Key concepts include:

- Motive: The reason why people buy (Maslow and Maslow's hierarchy of needs- physiological, safety, social, esteem, self actualization).

- Perception: The way in which consumers view marketing messages and product attributes.
- Learning: Experience changes future purchases (brand preferences).
- ATTITUDES & PERSONALITY: Personal characteristics and attitudes affect choice of preferences and brand.

Example: High-end products cater to esteem needs and gym memberships may help meet needs for self-actualization.

8.2.3 Sociological Aspects: Group Influence, Culture

Sociology emphasizes the effects of social and cultural systems on consumption behaviour.

- Group influence: family, peers and reference groups impact the decision (e. g., teenagers buy what their friends approve of).
- Income: The money available to a (potential) customer plays an essential role of determining what will be bought and how much influence on the purchases will be made by marketing messages.
- Culture & Subculture o It's common because shared values and social traditions (cuisine/ clothing/festival merchandise etc) are part of the makeup of preferences.

Eg: Indians tend to buy sweets during Diwali based on cultural influence, while Western countries around Christmas gifts.

8.2.4 Role of Anthropology in Understanding Consumption Patterns

The anthropology discloses human societies, customs and symbolic values related to consumption.

- Explores the influence of rituals, habits and traditions on consumers' buying behaviour.
- Aids marketers comprehend the symbolic worth (e.g., gold jewellery as a sign of prosperity and status in numerous cultures).
- Offers an understanding of cross-cultural marketing and globalization.

Example: Starbucks customizes menus across the globe to cater to local customs, including serving green tea-based beverages in Japan.

8.2.5 Integrated Approach to Consumer Behaviour

An interdisciplinary approach, which takes in economics as well as psychology, sociology and anthropology offers a fuller picture.

- Economics explains rational decision-making.
- Theories of human behavior illuminate motivation and perception.

- Group and cultural influences are stressed in sociology.
- Or anthropological descriptions of the symbolic and traditional meanings.

This interdisciplinary bridging contributes to the formulation of effective marketing strategies that take into account both the rational and affective, individual and cultural levels of consumer behaviour.

Example: The recipe for Apple's success is based on a synthesis of all the perspectives — premium price (economics); aspirational identity (psychology); peer influence (sociology) and symbolic status (anthropology).

Knowledge Check 1

Choose the correct option:

1. Which discipline views consumers as rational decision-makers maximizing utility?
 - a) Psychology
 - b) Economics
 - c) Sociology
 - d) Anthropology
2. Maslow's hierarchy of needs is mainly applied from which discipline?
 - a) Sociology
 - b) Economics
 - c) Psychology
 - d) Anthropology
3. Cultural values and traditions influencing buying behaviour belong to:
 - a) Economics
 - b) Sociology
 - c) Psychology

- d) Mathematics
4. The study of rituals, customs, and symbolic meanings in consumption comes from:
- a) Psychology
- b) Anthropology
- c) Economics
- d) Sociology

8.3 Related Concepts

8.3.1 Difference Between Consumer and Customer

- Refers to an individual or a group who is the ultimate user of a product or service.
- The consumer benefits from the product.

Customer:

- The person or entity who in fact buys the product.
- Customers may or may not be users.

Example:

- A mother buying toys for her young one → The Mother is the consumer, and the child is the user.
- A businesswoman purchasing office furniture → Businesswoman is the customer, employees are the consumers.

Key Note: Not all consumers are customers, and not all customers are the consumers themselves.

8.3.2 Difference Between Customer and Buyer

The buyer:

- Buyer: Buyer is the individual that participates in the buying side of a transaction.
- People buy products for themselves or as gifts.

Customer:

- Customers are people or businesses who have an affiliation with the seller (could be one-time or repeat buyers).

- Customers can be buyers, but they may have a longer relationship with the brand or business.

Example:

- One-time airport coffee buyers are buyers.
- A coffee buyer who drops by Starbucks every day is a customer.

Key Point: All customers are buyers, but not all buyers become repeat buyers.

8.3.3 End-User vs. Decision-Maker

End-User:

- The end-user of the product or service directly.
- Effort is based on actual usage; not purchase decision.

Decision-Maker:

- The person, being the force or influence determining which good is to be bought.
- Special significance in the case of organizational buying or family purchases.

Example:

- At school, the principal (decision-maker) is someone who agrees to buy computers but it is in fact students and teachers (end-users) who use them.
- In a consumer's home, a parent (decision maker) may decide which cereal brand to purchase, but the children (end-users) consume it.

Key Point: Product design is user-centric, marketing persuasion is decision-maker centric.

“Were you aware that more than 70% of consumer decisions are made in house, but the end user isn't actually the decision maker? Parents, for instance, decide to buy toys or cereals, but kids are the ones who actually use or eat them. Marketers have to convince the two if they are to win.”

8.3.4 Buying Roles: Initiator, Influencer, Decider, Buyer and User

In most cases of purchase decisions, especially in families and organizations, more than one person is involved. These different people are decision makers, who comprise the Decision-making Unit (DMU) or Buying Centre.

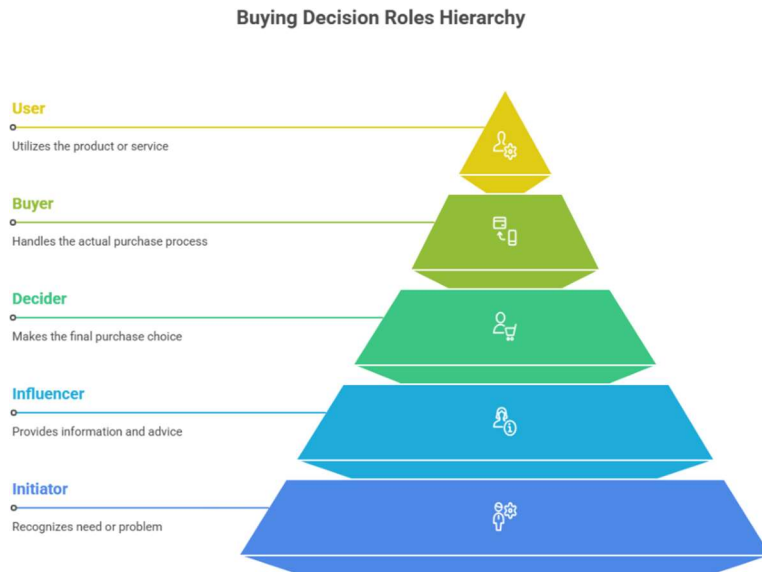


Figure 8.2

Initiator

- o The one who first recognizes a want or initiates the purchase of the product.
- o Here: A request for a new bicycle from a child.

Influencer

- o The person whose advice, knowledge or recommendation determines the choice.
- o EXAMPLE A Big Brother suggesting what laptop make to go for.

Decider

- o The power broker, or the person who is in charge to decide the purchase.
- o Example: Parent buying a certain brand of refrigerator.

Buyer

- o The individual who actually makes the purchase, extends a card payment or signs the order.
- o Ex: The paying father in the store or on-line.

User

- o The end-user/s of the product.
- o Standard: The family using the refrigerator.

Application in Marketing:

- Marketers need to know who plays what part.
- Toys influence purchases (by children) but parents purchase.
- In B2B: Engineers (influencers), managers (deciders) and purchasing officers (buyers) may have different, though overlapping roles.

“Activity”

Choose a product (e.g., laptop, car, or breakfast cereal) and identify the **initiator, influencer, decider, buyer, and user** in its purchase process. Write a short note on how marketing messages should be tailored differently for each role.

8.4 Summary

☐ Consumer Behavior – Research into the manner in which people, groups and organizations select, purchase, use and discard goods & services.

☐ Significance – The importance of research work will help the firms in fulfilling their needs or requirements, developing goods and successful marketing strategies.

☐ DM Process: - Problem Recognition, Information Search, Evaluation, Purchase and Post-purchase behavior.

☐ Psychological Elements – Needs, perception, learning, attitudes and personality influence purchase decision.

☐ Sociological Factors – Family, reference group, social class and culture are all factors that influence consumption.

☒ Anthropological Variables – Routines, customs and symbols interpret cultural consumption conduct.

☒ Consumer vs. Customer – Consumer is the user; customer is the one buying.

☒ End-User vs. Decision-Maker – End-users use products but decision-makers make buying decisions.

☒ Buying Roles – Initiator, influencer, decider, buyer and user are involved in the buying process.

Integrated Nature – Consumer behaviour is by nature interdisciplinary, drawing from economics, psychology, sociology and anthropology.

8.5 Key Terms

Consumer behaviour – The personal process which end users, such as consumers or shoppers, go through in arriving at a purchase decision.

Customer – A person or a company which buys something from another business.

Customer / Consumer – The final user of a product, one who ultimately uses or consumes it.

Purchaser – The person who is performing the transaction.

The Decision-Maker – person who has the power to decide what is going to be purchased.

End-User – the direct user of the product (the person who gets used).

Purchasing Roles – The stages of initiator, influencer, decider, buyer and user in a procurement process.

Cultural Impact – The influence of common values and customs on the behavior of consumers.

Motivation – The inner impulse that compels customers to engage in purchase activities and meet particular needs.

8.6 Descriptive Questions

Define consumer behaviour. Explain its significance in planning effective marketing plans.

Discuss the concept of consumer motivation, perception and attitude in making purchasing decision.

Explain with example how sociological factors affect the consumer behaviour – Family, Reference groups and Social class.

Distinguish between consumer, customer and buyer with appropriate examples.

Describe difference between end-user and decision-maker. How can marketers identify their prospects appropriately?

Describe five buying roles: initiator, influencer, decider, buyer, and user using examples.

Emphasize the interdisciplinary aspect of consumer behavior. What do economics, psychology, sociology and anthropology add?

What is the consumer buying process? Provide examples from the real world for steps.

8.7 References

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Answers to Knowledge Check

Knowledge Check 1

1. b) Economics
2. c) Psychology
3. b) Sociology
4. b) Anthropology

8.8 Case Study

The Role of Consumer Behaviour in BrightMart's Retail Strategy

Introduction

Consumer behaviour lies at the center of contemporary marketing. But businesses that don't understand how people think, feel and decide all too often lose market share — even if they have great products. That was the dilemma for BrightMart, a chain of retail stores that could not improve sales, even after frequent markdowns and promotions. Management understood, it had to learn factly about what happens at the consumer end of their market.

Background

BrightMart discovered that the different customer groups had differences in behavior. Young professionals wanted trendy and healthy, families valued-for-money and older customers liked trusted brands. Cultural pressure, peer reference and digital reviews also contributed significantly to people's buying patterns. In order to react in a timely manner, BrightMart takes consumer behavior models and theories into the line optimization of products, promotions and customer interaction.

Overuse of Discounting Current Problem Number 1: Using discounts too much!

Originally, BrightMart was established on the back of discounting in order to attract buyers. But the surge in sales proved fleeting, and customers eventually returned to rivals.

Solution: Instead of fixating on price alone, BrightMart examined what was motivating consumers and brought in product bundles, loyalty initiatives, and sustainable packaging to appeal to concerns beyond money.

MCQ:

What bound or limited BrightMart's early marketing efforts?

- a) High production costs
- b) Overreliance on discounts
- c) Limited product variety
- d) Lack of store expansion

Answer: b) Overreliance on discounts

Issue 2: Omission of Social and Cultural Issues

BrightMart did not realize that purchases decisions were hugely dependent on family conventions, friend's influence and culture values.

Answer: The company jumped on the bandwagon of festivals, developed product portfolios suitable to specific geographies and worked with influencers to gain the trust of a younger demographic.

MCQ:

What is the element that was not first considered by BrightMart in its counteraction strategy?

- a) Social and cultural influence
- b) Product pricing
- c) Employee training
- d) Supply chain efficiency

Answer: a) Social impact c) and cultural impact

Problem Statement 3: Poor Online and IT Terrie Duncan X has a poor online presence.

BrightMart had initially not taken into consideration digital media and online reviews when it comes to the opinions of consumers. This weakened its competitive edge.

Solution: The company bolstered its e-commerce platform, invited customer feedback and that product recommendations for individual shoppers be customized using data analytics.

MCQ:

What was the one key to BrightMart in boosting its digital engagement with consumers?

- a) Expanding physical stores
- b) Hiring more staff
- c) Strengthening e-commerce and reviews
- d) Reducing product range

Ans: (c) Boost for e commerce and reviews

Conclusion

The BrightMart case demonstrates that one must not only have "good" products but also the ability to account for consumer behavior in order to be successful and sustainable. By taking a quantum leap beyond discounts and embracing insights from fields such as psychology, sociology, and culture; BrightMart's brand-building is now genuinely able to

establish competitive advantage: faster customer connections, improved loyalty and greater long-term profitability.

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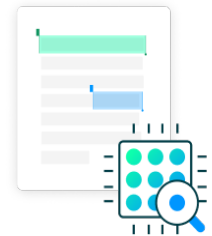
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Unit 9. Consumer Decision-Making Process

Learning Objectives

1. Understand the concept and stages of the consumer decision-making process.
2. Identify factors influencing problem recognition in consumer purchases.
3. Analyze the role of information search and evaluation of alternatives in buying decisions.
4. Examine psychological, personal, and social influences on decision-making.
5. Learn how post-purchase behaviour impacts satisfaction and brand loyalty.
6. Apply decision-making models (economic, psychological, and comprehensive) to real-life buying situations.

Content

- 9.0 Introductory Caselet
- 9.1 Role of Consumer Behaviour in Marketing
- 9.2 Five-Stage Decision-Making Model
- 9.3 Levels of Involvement in Buying Decisions
- 9.4 Summary
- 9.5 Key Terms
- 9.6 Descriptive Questions
- 9.7 References
- 9.8 Case Study

9.0 Introductory Caselet

Riya, is a young professional in metropolitan city. When the phone she was using for close to 5 years started lagging and crashing too much, it was time to get a new one. This led her

to conclude that she needed a new smartphone. Initially, she thought that she would just buy the newest version from her old brand, but then she discovered how many choices there were in the marketplace.

She began researching on line, reading product reviews and asking her friends for advice. Some thought the issue was camera quality; others wanted a better-performing phone with longer battery life. She compared brands like Apple, Samsung and OnePlus, balancing features with pricing and after-sales service.

In the end Riya settled for a mobile which was in her budget with decent battery life and strong customer support. She happily relied on it after she bought it. But then she realized that if the phone didn't live up to her expectations, she would regret her choice — and lose some faith in the brand.

This experience exemplified the consumer decision-making process - problem recognition; information search, alternatives' evaluation and selection; and after purchase behavior.

Critical Thinking Question

Why was it important for Riya to move through the entire process of making the decision, rather than just “buying” something right away, and what dangers might she have experienced had she avoided that step?

9.1 Role of Consumer Behaviour in Marketing

9.1.1 Understanding Consumer as a Decision Maker

At the end, marketing is all about consumers. They aren't passive targets for marketing communications, but active decision makers who are appraising their options before they buy.

- Process of making the decision: Consumers usually move through stages including problem recognition, information search, evaluation of alternatives, purchase and post-purchase behaviour.
- Rational and emotional elements: Some decision are rational decisions e.g compare what we want to buy based on the price which is emotion, others are emotional influenced by feelings, attitude or brand image.
- Personal influences: Consumer choice is influenced by personal aspects such as age, income, lifestyle, education level and cultural background.
- Situational variables: The context in which the choice is made, like time pressure, peer influence or availability of alternatives, matters too.

The ability to comprehend these elements helps marketers anticipate consumer behavior and develop plans that fit their decision-making tendencies.

Did You Know?

“Did you know that consumers make over 35,000 decisions every day, and many purchase choices are influenced by both rational evaluation and subconscious emotions? Even small situational factors, like store layout, lighting, or peer opinions, can strongly impact a buyer’s final decision, often without them realizing it.”

9.1.2 Influence of Consumer Behaviour on Product and Promotion Decisions

Consumer behaviour is directly related to product and marketing decisions.

- Product decisions:

- o Marketers use these three ways to create products that consumers want, like and have expectations for.

- o Client feedback guides what product features, packaging, level of quality (or prestige), as well as after-sale service to offer.

- o Consumer behaviour trends, such as a preference for sustainable/eco-friendly solutions affect product design.

- Promotion decisions:

- o Communications strategies must find favour with the values, attitudes and lifestyle of the intended audience.

- o Promises are made by which significant consumer benefits can be communicated (from ease, to cost, status and safety).

- o Which media channel-social, TV, print or digital-will come down to where consumers are spending the most time.

- o Promotional offers (save money, pack if free, loyalty clubs) are all structured to fit with consumers’ purchasing habits.

When products and promotions match consumer behaviour, companies improve the probability of market success.

9.1.3 Consumer Behaviour and Market Segmentation

Consumer characteristics are also the cornerstone of successful market segmentation, which is when a market is split into groups based on similarities.

- Segmentation basis:
 - o Demographics: Age, sex, income education and family size.
 - o Geographic: Area, weather conditions, metropolis vs. countryside.
 - o Psychographic: Lifestyle, interests, values, personality etc.
 - o Behavioral: Usage, brand loyalty, benefit sought, readiness to purchase.
- Role of consumer behaviour:
 - o Assist in identifying clusters which response differently to marketing.
 - o Enables business to focus targeted marketing to the segment rather than an overall market.
 - o Increases market productivity by investment on the most lucrative consumers.

Segmentation ensures that the marketing is more targeted, customer-centric, and helps to build better associations with customers.

9.1.4 Linking Consumer Insights to Marketing Strategy

Consumer insights The actionable understanding obtained from having studied consumer behaviour. These are the nuggets that proper marketing strategies are made of.

- Strategic alignment: Marketers employ insights to align business objectives and developments with the demands of consumers. As an example, a strategy could be to focus on affordability if insights indicate price-concern of customers.
- Positioning: You get a sense of how consumers view products compared to other offerings on the market, making it possible for marketers to position their offerings more effectively.
- Customer experience: If you know where customers feel pain, it means businesses can better serve them and provide better overall experiences.
- Innovation and trends: Breakthroughs are used to inspire businesses revolutionizing consumer tastes, including the shift to digital channels or eco-friendly operations.
- Longevity of relationship: Businesses can use insights to develop loyalty programmes, personalized communication and added-value services that support customer retention.

Therefore, customer-driven marketing strategy making grounded on insights guarantee decisions are fact-based, customer-oriented and long-lived.

9.2 Five-Stage Decision-Making Model

9.2.1 Overview of the Five Stages

The model is made up of five steps: problem awareness, search for information, evaluation of alternatives, purchase decision and postpurchase mode. These levels represent both cognitive and affective aspects of decision-making. Not all consumers proceed linearly through the five stages, but it does provide a methodical approach to evaluating how they move.

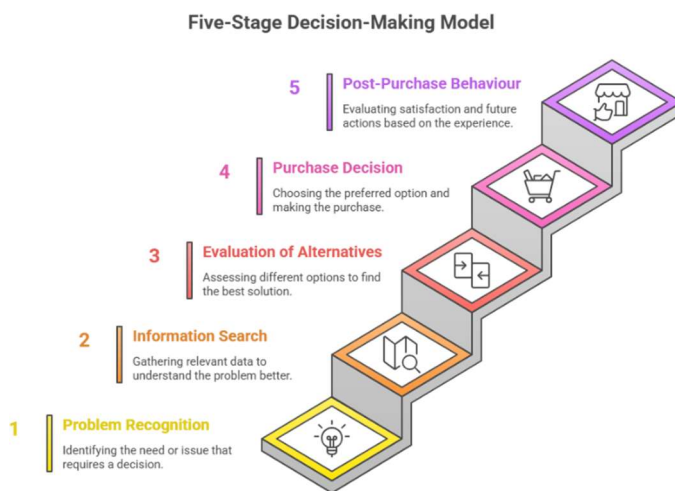


Figure 9.1

9.2.2 Stage 1: Problem Recognition

- **Definition:** The buying situation begins when the consumer becomes aware of a need to be filled, a problem to be solved.
- **Nature of needs:** They can be material (physical or physiological needs like food, shelter and clothing) or abstract (psycho or psychological needs such as social status, self expression, comfort etc).
- **Stimuli:** Whether it's advertising, peer influence or a product demonstration, external or internal factors like hunger and dissatisfaction can stimulate recognition.
- **Marketing:** Marketers create awareness through campaign that demonstrate problems consumers may not have realized (e.g., "Your skin needs daily hydration").

9.2.3 Stage 2: Information Search

- **Definition:** After identifying a problem, consumers search for information to solve it.
- **Sources of information:**

- o Internal: Past experiences and memory.
- o External: Ads, Facebook posts, reviews online, family/ friends or sales associate.
- Level of search: Varies by product type, price, risk and consumer involvement. Items with lower cost have less search, while high-cost items (e.g. a car) do require more research.
- Marketing role: It's a business that willingly and reliably provides clear information, usually in the form of websites, comparison tools and recommendations from influencers.

9.2.4 Stage 3: Evaluation of Alternatives

- Definition: The process consumers use to compare alternative product/brand selections on the basis of various attributes, benefits, and values.
- How we'd test it: Price, quality, features, convenience and reputation of the brand.
- Decision rules: Some consumers follow a compensatory rule (choosing the option with more pros than cons), others use a

non-compensatory exclusion (irrelevant criteria should not be considered for selection).

- Marketing position: Marketers position their products based on differentia (e.g., longer-ranging, more environmentally friendly, better customer service).

9.2.5 Stage 4: Purchase Decision

- Definition: The consumer selects a product or brand and decides when and where to make a purchase.
- Influences: Situational factors (discounts, store environment), personal preferences, or peer recommendations.
- Outcome options: A consumer could purchase a given product, decide to put off the purchase or change his or her mind.
- Marketing aspect: The companies attract purchase by providing interesting pricing, easy checkout process, financing or limited time offer.

9.2.6 Stage 5: Post-Purchase Behaviour

- Definition: Consumers think back on the experience with the product after they've purchased it.
- Customer satisfaction : Favorable experiences result in a form of psychological well-being; negative ones may lead to dissatisfaction or cognitive dissonance (or "buyer's remorse").
- Impact: Happy customers are more likely to recommend the product and make a repeat purchase, unhappy ones may create negative feedback.

- Marketing strategy: Post-purchase assistance, warranty, and customer care help reduce dissatisfaction and enhance trust.

9.2.7 Feedback Loop and Brand Loyalty

- Feedback loop: Experiences after the purchase have an impact on future purchases. There is a better chance the happy buyer will purchase from that brand again.
- Brand: Trust, brand equity loyalty and advocacy are based on consistently good experiences. If you're a repeat customer, you become a brand ambassador and telling other people about it.
- Marketing: Loyalty programs, personalized offers and long-term engagement strategies to build customer relationships and drive repeat purchases.

Knowledge Check 1

Choose the correct option:

1. Which stage of the decision-making model begins when a consumer identifies a need or problem?
 - a) Information search
 - b) Problem recognition
 - c) Evaluation of alternatives
 - d) Post-purchase behaviour
2. Which stage involves comparing different brands and products based on attributes?
 - a) Purchase decision
 - b) Problem recognition
 - c) Evaluation of alternatives
 - d) Feedback loop
3. Which factor is most likely to reduce post-purchase dissatisfaction?
 - a) Discounts
 - b) Warranties
 - c) Packaging

- d) Store layout
- 4. Brand loyalty is most directly influenced by which stage of the model?
 - a) Post-purchase behaviour
 - b) Information search
 - c) Evaluation of alternatives
 - d) Purchase decision

9.3 Levels of Involvement in Buying Decisions

9.3.1 Meaning of Involvement in Consumer Decisions

- The concept: Involvement is a person's perceived relevance of the object based on inherent needs, values and interests.
- Impact on behavior: With high involvement, consumers tend to engage in elaborate information processing on the other hand, whereas low involvement results in fast, habitual or impulse purchases.
- Cultural influence: Many factors, such as price and the level of personal significance for buyer, purchase risk (financial, social and psychological), have a cultural impact on the involvement level.

9.3.2 Characteristics of Low-Involvement Purchases

- Type of purchase: routine, low-cost and frequently purchased goods (for example toothpaste, snacks and soap).
- Consumer behaviour: Low involvement with decision processes and content, habitual or brand loyal, low information search.
- Risk factor: Barely a blip of financial or psychological risk.
- Marketing implication: Brand salience and repetitive in-store incitements; packaging cues to pull attention quickly.

9.3.3 Characteristics of High-Involvement Purchases

- Type of purchase: High-priced, complicated or infrequent (e.g. car, real estate, higher ed).
- Consumer behaviour: Considerable research, careful selection of alternatives and longer decision time (consumerism).

- Risk level: A high amount of financial, social or psychological risk if it turns out the decision was wrong.
- Marketing Implications: Specific facts, rational appeals, complete product demonstrations, expert opinion reviews, and personal selling are highly impactful.

9.3.4 Marketing Strategies for Different Involvement Levels

- For low-involvement purchases:
 - o Deploy the use of tears for repetitiveness and emotional appeal.
 - o Increase awareness with POS material, promo's and packaging.
 - o Promote the possibility of product picked up and purchase.
- For high-involvement purchases:
 - o Service detailed product information and clear comparison.
 - o Utilize logic, testimonies of experts and testimonials.
 - o Provide after-sales packages, warranties and financing options to mitigate risk.

Close the gap between your brand and the audience with relationship-building marketing and a consistent brand image.

9.3.5 Examples: Low vs. High Involvement Scenarios

- Lower involvement: In a case such as someone buying a bag of chips in the supermarket, they generally fall back on brand recognition or price or quick preference. Minimal thought is involved.
- Involvement: A consume buying a laptop, for instance, will compare features, review consumer reports and project years of use. It is a thoughtful, information-dense decision.
- Difference: Low involvement is based on re-purchase behaviour being facilitated by habitual actions and brand cues whereas high involvement decisions are more reasoned, with persuasive communication, detailed information gathering and trust building processes all playing key roles.

“Activity”

List three products you recently purchased—one low-involvement, one medium-involvement, and one high-involvement. For each, describe how much time you spent deciding, what factors influenced your choice, and whether you relied on habit, research, or

recommendations. Discuss how marketers influenced your decisions through advertising, promotions, or detailed product information.

9.4 Summary

⊗ The role of consumer behavior in effective marketing decisions.

Buyers are rational and emotional decision-makers.

⊗ Insight into the consumer that influences product design and promotional plans.

⊗ Market segmentation is based on knowledge of consumer heterogeneity.

⊗ The purchase decision process is explained by five stage model.

⊗ Problem identification begins consumer purchase process.

⊗ A comparison of brands is informed by how consumers search and evaluate information.

⊗ Post adoption behaviour influence satisfaction and loyalty.

⊗ Depth of consumer decision making depends on extent of involvement.

⊗ Marketers need to formulate strategies for low involvement and high involvement purchases separately.

9.5 Key Terms

Consumer Behaviour – The process of individuals making decision in choosing, using and disposing a product or services.

Problem Recognition – The moment when a Customer realizes that he has a problem or need which is unserved.

Information Foraging – Systematically collecting information about products or services prior to product purchase.

Consideration of Alternatives – Weighing comparing the options to choose the best product or service.

Purchase Decision – Decision to select and buy a product after consideration of alternatives.

Post-Purchase Behaviour- Consumers feeling or reaction after purchase Positive buying behaviour; Dissatisfied customer.

Involvement – Extent of a consumer's interest and concern in a purchase.

Low involvement purchase – A habit based, inexpensive and low-risk decision with little consideration.

High-Risk Decision – A lengthy and costly decision that is complex.

Brand Loyalty – The degree to which a consumer consistently purchases the same brand within a product class over an extended period.

9.6 Descriptive Questions

Discuss how consumer behaviour is influenced by marketing activities.

Explain the 5 stages of the consumer decision making model with example.

What is the impact of problem recognition on consumer purchasing decisions?

Explain the role of information search in case of high-involvement purchases.

Describe the role of post purchase behavior in brand loyalty, and future purchases.

Distinguish between low-involvement and high-involvement purchases with examples.

So how do marketers construct plans for both of these consumers?

Explain the importance of consumer insights in market segmentation and product positioning.

What is the role of consumer behavior in the feedback loop and how it helps retain customers?

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Answers to Knowledge Check

Knowledge Check 1

1. b) Problem recognition
2. c) Evaluation of alternatives
3. b) Warranties
4. a) Post-purchase behaviour

9.8 Case Study

Introduction

Smartphone — one of the most dynamic and competitive industries across the world. With so many brands across the spectrum providing similar features, knowing how consumers act and react is now a requirement for marketers melek34/iStock By Jason Jercinovic, global head of marketing innovation at HavasMedipur. Early 21st-century smartphone products of public market competitors including the Samsung Galaxy, Sony Xperia's and the HTC One have evolved from these. Owing to creators' product evolution culture and their base on open-source code, Android (operating system) by Google found success.. Consumers no longer use smartphones for just communication they rely on them for making status statements convenience and expression of personality. Their purchasing decisions are affected by product features, peer suggestions, advertising efforts and after-purchase experiences.

This paper is a case study on how consumer behaviour significantly influences purchase decisions for smartphones. It demonstrates that: (1) the five-stage decision-making model,

levels of involvement, or the connection between consumers' insight and marketing strategies.

Background

Stiff market competition deprived TechOne, an international smartphone brand, from the glory hold in an industry dominated by giants. While they produced very good phones, that fact didn't translate into strong sales. Market research had shown that, though consumers knew the brand, they didn't think it offered much distinctiveness versus competitors. Peer pressure and online reviews have been important drivers of purchases for many buyers. In response, TechOne moved to a more consumer behaviour-led approach to its marketing.

Problem 1: Consumer Knowledge Level to Problem Recognition Period

When consumers saw that they needed a new phone, many of them didn't even consider TechOne as an alternative. They leaned towards well-known competitors.

Response: TechOne implemented focused campaigns addressing common consumer gripes like battery power and storage, while showing how their products were the solution. This spurred problem identification and led to brand memory.

Problem 2: searchers insufficiently consider more documents to judge the relevance if relevant documents are not at the top of multi-results list.

The majority of consumers depended on reviews, peers and ads, yet TechOne's presence was slim in these channels.

Solution: The company worked with tech influencers, increased its online presence and added comparison tools to the website. This would mean that consumers encountered TechOne in their search for information.

Problem 3: Surrogate evaluation has weak impact on alternatives There is a lack of pressure of challengers acting based upon surrogate voters' preference in many places.

At the assessment stage TechOne was regularly disqualified because functionality wasn't well articulated.

Solution: The company came up with dumbed-down product brochures, demo videos and side-by-side feature comparisons with its competitors. This proved to be the consumer's friend allowing purchasers to make an informed choice and TechOne as a credible alternative on takeout.

Problem 4: Low At Purchase Decision Stage Conversion Issue at Stake: A high percentage of visitors have a purchase decision making decision, but did not do any Desired Response.

And even the ones who wanted it didn't buy, because they wanted to buy something "pretty," as in "pretty with all the right stuff and a bigger hard drive at \$1.199 for what's pretty standard."

Solution: TechOne launched convenient EMI options and student discount as well as festival offers. This increased purchase conversions significantly.

Problem 5: Inconsistency on Post Purchase Behaviour

Some purchasers have complained about the after-purchase service, and this associate with repeat purchasing and brand loyalty. Solution: The company rolled out a 24/7 customer support app, extended warranty programs and feedback systems. As happy customers started referring peers to the brand, a self-feeding loop of positive feedback and loyalty was born.

Conclusion

The TechOne example shows how a knowledge of consumer behavior is essential in creating marketing tactics. By targeting different stages of the decision-making process and varying degrees of involvement, TechOne was thus able to reposition itself effectively in smartphone market competition. Advertisers will need to constantly mine consumer understanding in creating their brand loyalty and longer-term growth.

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What does 'qualifying text' mean?

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Unit 10: Consumer Motivation and Personality

Learning objectives

1. Understand the concept of consumer motivation and its role in driving buying behaviour.
2. Differentiate between intrinsic and extrinsic motivations that influence consumer choices.
3. Examine major motivational theories (e.g., Maslow's hierarchy, Freud's psychoanalytic theory, Herzberg's theory) in the context of consumer behaviour.
4. Analyze the impact of personality traits on consumer preferences, brand choices, and lifestyle patterns.
5. Evaluate the relationship between motivation and personality in shaping purchase decisions.
6. Identify marketing strategies that effectively target different motivational drivers and personality types.
7. Apply motivation and personality insights to develop segmentation, positioning, and communication strategies for brands.

Content

- 10.0 Introductory Caselet
- 10.1 Introduction to Motivation
- 10.2 Role of Motivation in Buying Behaviour
- 10.3 Theories of Motivation
- 10.4 Introduction to Personality

- 10.5 Consumer Personality
- 10.6 Self-Concept and Buying Behaviour
- 10.7 Summary
- 10.8 Key Terms
- 10.9 Descriptive Questions
- 10.10 References
- 10.11 Case Study

10.0 Introductory Caselet

Boutique fashion brands continue to surge on the overly crowded fashion market. It observed that customers often made choices between its products and larger, more established brands. Initially, NovaWear thought reducing prices would bring in more buyers, but sales didn't grow very much.

Curious, the managers read consumer behavior theories. They learned about motivation — the center of all buying. Some customers purchased clothing out of basic comfort (utilitarian motivation) while others out of status, uniqueness or confidence (hedonic motivation). NovaWear also researched personality theories and discovered some buyers were adventurous and enjoyed bold designs while others were cautious and preferred classic looks.

With that in mind, NovaWear has launched an affordable, no-frills line and a more stylish and higher-end version. They personalized ads to personality traits, selling fashionable clothes to extroverts and comfort wear to practical types. Almost immediately, the company began to notice higher levels of customer loyalty and repeat purchases.

Critical Thinking Question

Why do you think NovaWear needed to study consumer motivation and personality? What might have happened if exposure of the product was not limited by the following forces, and if sales were stimulated only by price discounting?

10.1 Introduction to Motivation

10.1.1 Meaning and Definition of Motivation

- Definition: Motivation is the inner force that inspire and enable individuals to achieve goal-oriented actions. It is why someone buys and a customer does certain things.

- Definitions (scholarly and applied):

- o Motivation is a pushing aspect which push over persons to act just for desire fulfillment and needs.

- o In marketing, motivation is also defined as those internal influences or process leading towards consumer's purchasing of product in order to satisfy unsatisfied needs.

- Key Characteristics:

- o Motivation (as goal-directed behavior): – consumers are looking for goods that will enable them to reach desired end states.

- o Motivation changes – as soon as one need is met, another one appears.

- o Motivation is as individual -- it depends on personality, culture, circumstances.

10.1.2 Significance of Motivation to Consumer Behaviour

Predicting purchase triggers: Marketers can forecast what will trigger a consumer to make a purchase — for example, hunger triggers food purchases, and status needs may trigger luxury brand purchases.

Product development: Understanding what motivates people informs innovation (eg health-conscious consumers motivated by staying fit give rise to the success of organic foods and wearable fitness devices).

Positioning and branding: Organizations position their products around motivations, protection (insurance), affiliation (social media) or esteem (luxury cars).

Advertising tactics: Appeals were adapted to consumer psychology. Ads can play on fear (antismoking campaigns) or pride (sportswear brands) or love (gifting companies).

Fostering loyalty: if brands consistently fulfill motivational needs, then customers trust and return to them time after time.

10.1.3 Needs vs. Wants

- Needs:

- o Simple needs, needing to survive and live a life that is not chaotic.

- o Categories of needs include:

- ♣ Physiological (food, water, clothing, shelter).

- ♣ Safety (protection, stability, insurance).

- ♣ Social (friendship, belonging).

- ♣ Esteem (respect, recognition).

- ♣ Self-actualization (growth, creativity, fulfillment).
- o Example: One needs food to live.
- Wants:
 - o These are unique wants based on culture, lifestyle and personal preference.
 - o Wants are not fixed as needs, and they are always changing.
 - o Example: We need food, but we do not need a gourmet pizza or an organic smoothie
- o Part three: Confusing needs and wants!
- o Wants are frequently market-generated -- companies produce, and stimulate desires, with ads and fashion.
- Comparison: There are limited universal needs while wants are infinite and can differ between cultures and people.

Did You Know?

“**Did you know** that while human **needs are finite and universal**—such as food, water, and shelter—our **wants are unlimited** and shaped by culture, lifestyle, and trends? Marketers often convert basic needs into specific wants, like turning the need for food into a craving for gourmet pizza or designer snacks.”

10.1.4 Types of Consumer Motives (Rational vs. Emotional)

- Rational Motives:
 - o Statement grounded in logic, facts, and thoughtful discrimination.
 - o Customers evaluate options and compare between functional advantages such as cost, effectiveness, reliability, and durability.
 - o Case: Picking up a cheap air ticket on the basis of different costs comparison on various websites
 - o Ex 1 Example if cost-sensitive perspective.
- Emotional Motives:

- o According to own feelings moods and psychological happiness.
- o Emotional appeals like, fear, love, status, prestige, joy or security.
- o Example: Purchasing a piece of diamond jewelry not because it can be used for something, but for love, pride or what the customer believes it will signify.
- Mixed Motivation: The vast majority of buying decisions are motivated by both rational and emotional factors. So, for instance, purchasing a smartphone could stem from rational reasons (battery life, and storage space for the price) as well as emotional ones (the cachet of the brand, how it looks or what friends have).
- Implication for Marketers:
 - o For rational consumers: Give them clear product information and comparisons, warranties, and logical advertising.
 - o For emotional shoppers: Develop aspirational campaigns, focus on pride, belonging or happiness and leverage heartfelt narratives.

10.2 Role of Motivation in Buying Behaviour

10.2.1 Motivation as a Driving Force in Decision-Making Definition:

Motivation is the core psychological force that impels a consumer to act. It explains why a prospect converts from just being aware of having a need – awareness – to the point that he actually buys something.

Motivation is what provides meaning and direction to human behavior – without it, the consumer may procrastinate (in this case a customer decision must be made), or fail to act despite an offered incentive.

Consumer Decision Process: The Role of Motivation

The role of motivation will be at the heart of each phase within the decision-making journey:

1 Problem Recognition – The process of motivation begins when customers realize that there is a distance between where they are and where they want to be.

o Example: A career-driven student realizes he/she needs to sign up for an online MBA course.

Search for Information – The consumer in this case has an active interest in finding information that would satisfy a need.

o Example: A person who is interested in health and well-being will look up various diets, fitness applications or supplements before selecting.

Alternatives evaluation -Motivation affects the way that consumers evaluate products or choices among alternatives. Although, the most motivated buyers will compare options in terms of features, price and brand reputation.

o Example: A determined tourist shops around several airlines and hotels, finally buying the trip they wanted at a price they were willing to pay.

Purchase Decision: Motivation gives the motivation to make a decision and select a product or service.

o Example: A fitness enthusiast who wishes to remain active opts to purchase a Fitbit smartwatch

over lower-cost rivals as it accords with their objectives.

Post-Purchase Behaviour – It also dictates if the customers will or will not be satisfied and regretting what they did. Should the result meet their initial desires loyalty and positive WOM(Wordofmouth) may ensue.

o Example: A motivated parent purchasing organic baby food encourages the customer to feel affirmed in their decision after they have made it by compromising that they were trying to provide the healthiest option for the child.

Types of Consumer Motivation

- Practical/Functional Motivation (Utilitarian needs): They are motivated by practical problems or efficiency.

o For example: Purchase of a washing machine to save time and energy in cleaning clothes.

- Hedonic Motivation (Based on emotions or experience): Driven by the seek of pleasure, fun or self-expression.

o Example: Buying high-end perfumes or designer clothes to feel good and present wealthy image.

Why Motivation Matters

- No new or cheap product will succeed if customers don't care about taking action.

- Companies that understand what drives consumers can design better products, create stronger ad campaigns and forge better emotional connections with customers.

- The motivation — not just the what, but the why — of customers explaining their purchases.

Real-Life Example

- Nike mines motivational veins of achievement and empowerment with its “Just Do It” campaigns. Customers with goals of health, training, and self-improvement (the sports apparel market) feel encouraged to buy Nike shoes and garments.
- Apple plays to motivation for innovating and status. Consumers willing to shell out premium prices for iPhones and MacBooks are those who value prestige and the latest technology.

10.2.2 Internal and External Motivators

- Internal Motivators (intrinsic):
 - o Arise from within the individual.
 - o Examples: personal satisfaction, health awareness, curiosity, self-development.
 - o Example: Selecting organic food because of how it makes you feel healthy and good.
- External Motivators (extrinsic):
 - o Influences from outside sources.
 - o Such examples may include social pressure, ads, peer recommendations as well as promotions or discounts.
 - o Example: Purchase of the very mobile phone friends own or because it is heavily marketed.
- Balance: The strongest marketing strategies usually mix the two – hooking people with internal triggers (values, goals), and supporting them in this by external trigger signals (offers, reviews).

10.2.3 Impulse Buying vs. Need-Based Buying

- Impulse Buying:
 - o Impulse purchases, bought with little thought given to the purchase.
 - o Primarily emotionally driven, situationally triggered and marketing persuasive.
 - o Example: Picking up chocolates at a cash register.
- Need-Based Buying:
 - o Methodical and designed purchases for specific requirements.
 - o Requires serious thought, research and reason.
 - o For example the purchase of a refrigerator following comparison of prices and features:
- Contrast : The impulse buying is caused due to emotional and situational reasons whereas need-based buying is out of practical necessity.

10.2.4 Influence on Product and Brand Choice

- **Product choice:** What kind of product the consumer choose depends on his motivation. For instance, a safety need may result in the purchase of a car with front-line security.
- **Brand Selection:** Engaged consumers tend to adopt a brand that's representative of their own values or meets emotional requirements.

o **Example:** People who are status-conscious may prefer luxury brands such as Rolex or Gucci.

Example: Environmentally conscious consumers may chose to buy brands such as Tesla or Patagonia))

- **Marketer's Job:** It is up to brands to determine the consumer need behind the motive and position that way as well with advertising and product features.

10.3 Theories of Motivation

10.3.1 Maslow's Hierarchy of Needs – Concept and Application

Concept

Psychologist Abraham Maslow suggested that people's needs are arranged in a ladder-like hierarchy -- if one rung is broken, individuals can't ascend to the next level. According to this model, as people meet their more basic needs, motivation ratchets upward so that they can aspire to reach higher-level desires.

For marketing, the theory is very helpful in understanding a consumer's needs and identifying how several different motivations can come together to trigger behavior.

Levels of Maslow's Hierarchy

Physiological Needs

→ These are the essential aspects of survival such as food, water, house, clothes and rest. They are the bottom of the pyramid.

→ Marketing Application:

- ♣ Food brands such as Nestlé and Kellogg's emphasize nourishment and daily energy.
- ♣ Retail clothing chains such as H&M contribute to the provision of low-cost clothing for basic needs.
- ♣ Bottled water, such as that from companies like Bisleri or Evian, touts purity and hydration.

Safety Needs

→ After primary needs are fulfilled, people look for assurance, safety and security in life. This extends to personal safety, health, job security and financial well-being.

→ Marketing Application:

Insurance Companies (LIC, AIA, Allstate) - focus on money protection for families.

♣ Home security companies such as ADT play up the desire for safety and security.

♣ Pharmaceutical companies emphasize that your long-term safety is the only consideration.

Social Needs (Love & Belongingness)

→ At such times, individuals are yearning for relationships, friendships, acceptance and a sense of belonging. Belonging makes them feel connected.

→ Marketing Application:

♣ Social media fosters connection and community some is (Facebook, Instagram, WhatsApp).

♣ Apps for dating such as Tinder or Bumble satisfy the obvious desire for companionship and love.

♣ Companies like Coca-Cola frequently rely on family and friendship in their advertisements to build emotional connection.

Esteem Needs

→ This phase is where the need for admiration, status and own value are felt. Prestige and accomplishments are driving factors for consumers.

→ Marketing Application:

♣ Luxury car brands (BMW, Mercedes, Audi etc) aim at customers who wish to be known for something and admired.

♣ Apple's iPhone is marketed not just as a smartphone but as an embodiment of innovation and a high-end lifestyle.

♣ Rich people have Rolexes to show who they are on the inside.

Self-Actualization Needs

→ The top category of Maslow's hierarchy which refers to personal development, creativeness and satisfaction.

realizing one's full potential.

→ Marketing Application:

- ♣ Education providers (Harvard, Coursera, upGrad) are advertising learning as a way to growth and self-realization.
- ♣ Adventure tourism firms (such as National Geographic Expeditions or Trekking agencies) advertise unique experience to challenge ones self.
- ♣ Art supplies or creative tools (Adobe Creative Cloud and musical instruments) are engaging for people who wish to be creative.

Marketing Implications

- Brands need to know what level of need their product or service fulfills.
- Successful plans tend to link more than one level at a time. For instance, Nike addresses physiological (training/sportswear), esteem needs (i.e., gaining prestige from wearing Nike gear), and culturally self-actualization (“Just Do It” campaign).
- Promotions should reflect changing motivation as consumer lifestyles change. For example, in a financial crisis, safety-based messaging may be more effective than luxury appeals.

10.3.2 Herzberg’s Two-Factor Theory Concept

Two-Factor Theory, originally applied to motivation in the workplace by Frederick Herzberg, also influences consumers and marketing. It implies that there are two different bases on which customers tend to be satisfied or loyal:

Hygiene Factors

- o So these are the minimums that customers require.
- o If absent, or managed poorly, customers feel dissatisfied.
- o But they are not a true motivation or loyalty driver—they are simply the .
minimum requirements.
- o Examples in marketing:
 - ♣ Fair and transparent pricing
 - ♣ Reliable product availability
 - ♣ Decent packaging and labelling
 - ♣ Accurate delivery timelines
 - ♣ Customer service responsiveness

Motivators

- o These are the features that delight customers and make a brand unique.

o Motivators exceed expectations leading to positive satisfaction, emotional connection and loyalty.

o Examples in marketing:

- ♣ Superior product quality
- ♣ Innovative features
- ♣ Strong brand image and prestige
- ♣ Customer Personalized experiences
- ♣ Emotional and aspirational value

Key Insight for Marketers

Marketers must:

Step 1: Make sure your hygiene factors are in place → You can't expect to appeal to higher order needs if basics, such as fair pricing, availability, or service reliability, aren't fulfilled.

even try the product.

Then, talk about motivators → "In order for the brand to inspire loyalty and preference brands need to stand out with quality.

innovation, and emotional appeal.

This equilibrium guarantees that customers are not only displeasure-free but they want to choose and stay with a brand.

Examples

• Restaurant Example

o Hygiene: Cleanliness, food safety, prompt service.

o Appeal Drivers: Yummy taste, funky atmosphere, attentive service, or live music.

• E-commerce Example (Amazon)

o Sanitation: Good Quality & Delivery, Right Packing, Return Policy. En-route performance: Arrival on time, Systematic packing and Prompt goods return.

o Motivations: Tailored recommendations, benefits from Prime membership, fast refunds, and cutting-edge services such as Alexa connectivity.

• Smartphone Example (Apple)

o Hygiene: Anywhere in markets, after sales service with reliability.

o Drivers: High design, technology details, prestige of owning an iPhone, network (Mac, iPad, Watch).

- Airline Example (Singapore Airlines)

o Hygiene: Safety, punctuality, luggage handling.

o Stimuli: Great in-flight service, exquisite meals, entertainment, comfortable seats.

Why It Matters in Marketing

- Brands that simply achieve hygiene factors risk being perceived as average and interchangeable.
- Brands that perform well in motivators create strong emotional connections and may be able to command a premium price.
- Long-term customer loyalty is not about “meeting expectations,” but in delighting customers beyond our expectation.

10.3.3 McClelland’s Theory of Needs (Achievement, Affiliation, Power)

Concept

The Learned Needs Theory of David McClelland posits that the major motivates in life are three fundamental, yet non-exclusive needs. Whereas Maslow’s hierarchy is graduated in stages, McClelland contended that these three needs are acquired by people based on their experiences of life, culture and environment. The three needs are:

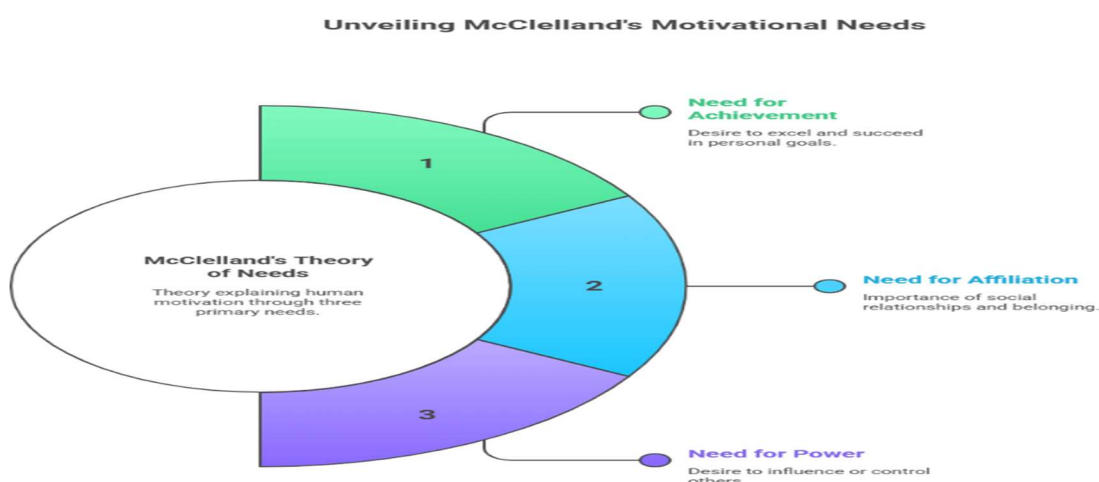


Figure 10.1

Need for Achievement (nAch)

- This is the motivation to be excellent and achieve goals, optimize performance.
- Measures of individual differences have identified that those individuals who strive for achievement set high standards for themselves, and are influenced by feedback from others.
- They like challenges, tangibles results and room to develop. Examples:
- Career-focused education programs such as MBA courses, or platforms like LinkedIn Learning attract achievement-seekers.
- Productivity apps, such as Notion or Trello, cater to a demographic of people that value efficiency and want to get more done.
- Companies such as Nike rely on march 3 slogans like “just do it” to resonate with customers who seek self-fulfillment and ambition.

Need for Affiliation (nAff)

- This is the urge for community, relationships, and social acceptance.
- People with high nAff actively pursue collegial relation and harmony, being motivated by forming bonds of association between people.
- Friendship, belonging and joint experiences are more important to them than individual success.

Examples:

- Social clubs and community groups, such as Rotary International or local gyms, are attractive to affiliation-driven people.
- Brands like Coca-Cola and Pepsi advertise with campaigns that weave in fun, friendship and a connection

(“Open Happiness”).

- Social media platforms such as Facebook and Instagram play on humanity’s social needs.

Need for Power (nPow)

- This is the need to bring under control, influence and progress one's identity or status.
- Powerful people crave leadership positions, status symbols and chances to influence decisions.
- They are driven by power, fame and social status. Examples:
- Luxe items like a Rolex watches, Lamborghini cars appeal to power-driven buyers who are looking for status and recognition.

- Exclusivity memberships, like the American Express Black Card or the country club elite, make consumers feel important and powerful.
- Courses in leadership, such as at Harvard Business School, pull people who are driven by the need for power and baby-sitters to chronically powerless adults.

Marketing Application

Marketing people utilise McClelland's model to fine-tune messages and campaigns that speak to the motivator each person is dominated by:

- Achievement-driven consumers (nAch):
 - o Ads focus on achievement, advancement and aspiration.
 - o For example: Microsoft Office demonstrates productivity and successful at work.
- Affiliation-driven consumers (nAff):
 - o Advertisements feature friendship, community, and sense of belonging.
 - o Example: KFC's "Finger Lickin' Good" campaign often focuses on family/group oriented drinking.
- Power-driven consumers (nPow):
 - o Advertisements emphasize on privilege, power and prestige.
 - o Example: Mercedes-Benz advertisements focus on power, class and prestige not just mobility.

10.3.4 Comparison and Relevance with Consumer Behavior

- Comparison:
 - o Maslow: Hierarchy of needs – move up.
 - o Herzberg: Hygiene v true motivators
 - o Responses that were included for comparison with findings When it comes to teaching and learning, the only thing that teachers need to do in order for students to learn is allow them access to content material.
 - o McClelland: Identifies three particular learned needs – achievement, affiliation, power.
- Relevance:
 - o Aids marketers in segmenting consumers according to motivational needs.
 - o Leads to product positioning – e.g., luxury brands associate with esteem/power reasons.
 - o Enhances marketing methods on the basis of psychological components.
 - o Satisfies Customer by fulfilling onto Hygiene, Motivation and Dissatisfying factors.

Knowledge Check 1

Choose the correct option:

1. In Maslow's hierarchy, which need is at the top?
 - a) Esteem
 - b) Safety
 - c) Self-actualization
 - d) Social
2. In Herzberg's theory, which of the following is a hygiene factor?
 - a) Innovation
 - b) Price
 - c) Recognition
 - d) Growth
3. In McClelland's theory, nAff stands for?
 - a) Affection
 - b) Affiliation
 - c) Affirmation
 - d) Authority
4. Which theory distinguishes between dissatisfaction preventers and true motivators?
 - a) Maslow
 - b) McClelland
 - c) Herzberg
 - d) Freud

10.4 Introduction to Personality

10.4.1 Definition and Nature of Personality

Definition

(in psychology) An individual's consistent pattern of behavior (and in some cases, thought). It is sometimes referred to as a personality profile. Personality profiles are most often based on building out from a basic set of five categories: Neuroticism, extraversion, openness and conscientiousness. These were long considered the "big five" in personality until there was growing evidence that many other dimensions of human personality also play large roles in shaping who we are and how we act. It represents a person's particular identity and is influential over the way they act upon the world, including their food choices. Personality also plays a key role in marketing because businesses use this information to predict customer preferences and their buying behaviour.

Nature of Personality

Unique

- o Everyone is unique in their own personality, even when two people share the same backgrounds and interests.
- o This individuality is why two people who are exposed to the same advertisement can have completely different reactions.
- o Example – To one consumer, luxury cars might be considered unnecessary or indispensable to express success.

Consistent

- o Stable, not easily change therefore predictable selves-signifying same across situation.
- o But outwardly, behaviour may modify based on the context (e.g. an introverted person will be seen talking more at a work networking party)
- o This coherence allows marketers to target customers with certain personality traits.
- o Example: An individual high in risk taking proclivities is more likely to consistently favour adventure sports brands like Red Bull or GoPro.

Psychological and Behavioural

- o Personality is a combination of internal mental activities (thoughts, values, feelings) and external behaviors (habits, decisions, interactions).
- o Marketers should be concerned with both – what consumers think/feel and what they do.
- o Example: A customer might prefer to be green (psychological) and as such buys electric cars such as Tesla or eco-products from Patagonia (behavioural).

Influenced by Heredity and Environment

- o Personality results from an interaction between genetic factors (temperament, natural abilities) and environmental factors (rearing, culture, education and experiences of life).
- o In the long run these energies mix and combine to build up one's personality profile.
- o Example: Someone brought up in a culturally conservative environment may start off seeming to like brands of tradition, although they will be opened up to other cultures and ideas through either travel or social media leading them to become more cosmopolitan.

10.4.2 Personality Traits and Consumer Tendencies

Personality traits play a critical role in how consumers shop, choose brands and react to marketing. Personality-based segmentation It is common for marketers to assume personality-based their segments and develop campaigns that appeal to certain personality types or consumers' attitudes.

Here are a few common characteristics (from the Big Five Personality Model) and how they influence purchasing decisions:

Extroversion

- Attributes: Outgoing, social, energetic, like to be around people.
- Consumer Tendencies:
 - o Extroverts like new, hip and status-driven items.
 - They are more likely to do things that happen in groups such as concerts, parties and fitness classes.
 - o They see shopping as a social activity and prefer malls, brand stores and animated shopping areas.
 - Examples:
 - o Extroverts are typically very attracted to fashion brands such as Zara and H&M that portrays a mood/vibe (dynamism) because the brand is like them.
 - o They might also be drawn to Coca-Cola's adverts which focus on friendship, sharing and community.

Introversion

- Attributes: Shy, contemplative and prefer solitude or small groups.
- Consumer Tendencies:
 - o Introverts are looking for specialized, utilitarian, or targeted goods and not big-box products.

- o They would rather shop in silence (i.e. online shopping) than an overcrowded state.

They care about depth versus popularity of products: o “Sometimes people aren’t looking for the hottest wine and are interested in a great story.”

- Examples:

- o Kindle e-readers cater to introverts who like to do things alone such as reading.

- o Spotify’s personalized music feeds an introverts’ desire of private pleasure.

experiences.

Openness to Experience

- Qualities: Curious, imaginative and creative; willing to entertain new ideas.

- Consumer Tendencies:

- o There are also high end users of innovation.

- o They are more willing to test new brands, special designs or innovative products.

- o They value experience over possessions.

- Examples:

- o Tesla taps into the type of customers who are drawn to state-of-the-art, environmental technology.

- o Airbnb is favored by broadminded tourists in search of genuine and thrilling experiences.

Conscientiousness

- Qualities: Reliable, methodical, disciplined and motivated by achieving success.

- Consumer Tendencies:

- o Thoughtful buyers look for dependable, long-lasting and good products brands.

- o They do a lot of homework before they buy, and they don't make impulsive purchases.

- o They appreciate efficiency and functionality in product.

- Examples:

- o Those who are conscientious prefer Toyota and Honda cars due to its durability and last long.

- o Mentees and professionals who require reliable performance for work and study are lured in by Apple's MacBook.

Agreeableness

- You are: Team player, good hearted, compassionate and community minded.
- Consumer Tendencies:
 - o They seek brands and companies with ethical, environmental-friendly or socially responsible policies.
 - o They appreciate peace and may be drawn to goods that support fair trade or environmentally friendly.
 - o They are committed to brands that promote corporate social responsibility (CSR).
- Examples:
 - o Patagonia is very appealing to those who are agreeable with the “Don’t Buy This Jacket” campaign it has as a corporate social responsibility program.
promotes sustainability.
 - o The Body Shop does a good job of drawing customers who value cruelty-free and fair-trade beauty products.

Neuroticism

- Personality: Anxious, emotional; sensitive to uncertainty and risk.
- Consumer Tendencies:
 - o They seek safety, security and assurances in their products.
 - o They have a loyalty to brands because it mitigates their risk in purchasing from a company they are not familiar with.
 - o They would rather like to buy products with warranty, return policy and trust signals.”
- Examples:
 - o Neurotic customers are the prime targets of LIC & other insurance companies who stress on protection and financial security.
 - o Dettol caters to this characteristic by offering cleanliness, security and germ defence.

Did You Know?

“**Did you know** that personality traits strongly shape consumer choices? For example, extroverts often prefer bold, fashionable products, while conscientious consumers seek reliability and quality. Meanwhile, people high in openness are quick to try new innovations. Marketers often design brand personalities to match these consumer tendencies effectively.”

10.4.3 Influence of Personality on Purchase Decisions

Personality plays a direct role in shaping consumer choices, as it influences not only what people buy but also how they respond to marketing strategies. Marketers often align their campaigns with personality-driven tendencies to make products more appealing.

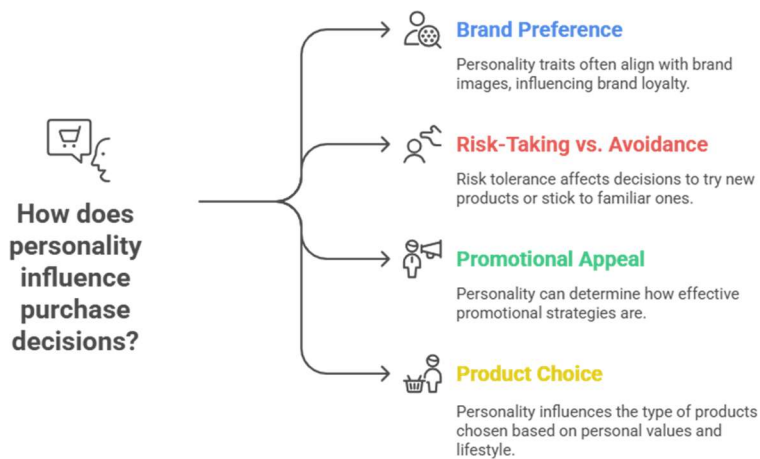


Figure 10.2

Brand Preference

- o As users we tend to pick brands which synchronize our self identities or ideals.
- o Example: Harley-Davidson attracts people who are adventurous and rebellious with a taste for freedom and danger.
- o Example: Status seekers who aim to show off prestige and achievement choose Rolex.
- o Demonstration: Patagonia draws environmentally friendly customers, who are aligned with sustainability and social values.

Risk-Taking vs. Risk-Avoidance

- o Some are experimental, risk-taking and try out new products (innovators), others are not taking risks want tried and tested brands.
- o Example: Those who were among the first to adopt Tesla's electric cars likely lean towards risk-taking, some may still have a preference for Toyota or Honda's petrol vehicle.

o Example: GoPro cameras are interesting to adventurous customers that want to try new things, while the more conservative customers might only use their familiar smartphone camera.

Promotional Appeal

o Consumer response to marketing communication varies due to personality.

o Example: People with bold and outgoing personalities that enjoy doing things extreme happy hour would appreciate the action packed premise of Red Bull's extreme sports commercials.

o Example: Rational or detail-oriented consumers are attracted by ads like those of insurance companies which give rational information, guarantees, clear benefit (LIC Ads, All State Campaigns).

Product Choice

o Product choice can be representative of certain personality characteristics:

♣ Extroverts: They enjoy spending on social and experiential items — concerts, parties, travel, clothes by trendy brands (Zara) or Airbnb.

♣ Introverts: Gift personalized, utilitarian or single-use presents aside like Kindle e-readers and Spotify personal playlists.

♣ Conscientious types: Go for functional, quality items such as insurance policies, Toyota cars or long-last home appliances.

♣ Creative/Openness personalities: More likely to prefer creative or artistic products such as

Apple iPads for design work or Adobe Creative Suite.”

10.4.4 Major Theories of Personality (Brief Overview)

Appearance theories marketers use personality theories to understand consumer psychology and to create strategies that fit the way people think, feel, and act. These theories are the structure for understanding brand loyalty, product selection, and preference of advertising.

Psychoanalytic Theory (Sigmund Freud)

• Concept: Freud suggested that personality arises from unconscious motives and internal conflicts between these three parts:

o Id – Innate instincts, impulses and wishes.

o Ego – The logical, the reality aspect's portion of mind.

o Ego ideal – Values and norms of society which are internalized.

- Marketing Implication:

- o Purchasing decisions can be driven by subliminal wants like prestige, sex or safety.

- o But with the unconscious 'need to dominate' path being triggered by luxury car ads (Porsche, for instance) emphasizing power and prestige, this prophet element is sketched in unconscious wishes of dominance.

- o Examples: Imagery used for perfume ads (especially from Dior or CK) may target our suppressed sexual desires.

Trait Theory

- Theme: Concentrates on measuring tangible, personality-related traits, such as innovativeness, risk-taking, materialism, sociability and introversion.

- Marketing Implication:

- o These characteristics can be used to segment and target consumers.

- o Example: GoPro targets risk-seeking, adventure sports enthusiasts.

- o Example: Trust = Financial services (ie Prudential) Your trust matters because those of the cautious, risk averse type will particularly make their decisions on this.

- o Example: Those who were the first to pick up an iPhone from Apple are high in innovativeness as they always want to have their hands on the newest product.

Self-Concept Theory

- CONCEPT A: Consumers gravitate toward products that are perceived to be consistent with an objective self-image (the person he or she is) or ideal self-image (the person he or she would like to be). Products can also serve as status and identity symbols.

- Marketing Implication:

- o Brand needs to reflect the image how of the customer perceives himself or herself.

- o Example: Apple is considered to be creative and innovative, therefore drawing consumers who want to be fashion-forward.

- o Example: Nike's "Just Do It" targets the achiever and competitive athlete segment which craves success.

- o Example: Tesla cars or Patagonia gear are selected by environmentally aware consumers to represent their sustainable attitude.

Social Learning Theory (Albert Bandura)

- Idea: Parts of a person's personality are learned by imitation and observation from others. Citizens mimic behaviors that are incentivized in society.

- Marketing Implication:

- o Celebrity endorsements and influencer marketing works in the first place because nothing tops role models; people are attracted to seek, respect, and emulate.

- o Example: AceBranded drinking water`s -Salman drink this brand and gain his Good Looks and fitness in age.

- o For instance, Instagram influencers advertising beauty brands such as Sephora or Nykaa impact purchase decisions through representation of aspirational lifestyles.

- o For example, Adidas's association with rapper Kanye West (in the form of Yeezy line) demonstrate how influencer participation can influence trends.

10.5 Consumer Personality

10.5.1 Types of Consumer Personality (Elaborated)

- Innovative consumers: Those who look for novelty and are first to try a product. They shape trends and early adoption.
- Brand Loyal: High affinity for one brand; seldom, if ever, switch to another even when substitute products exist.
- Emotional Shoppers: Spurred by emotions, make impulse buys in the moment.
- Rational Consumers: Thoughtful, careful, weigh pros and cons before buying.
- Status-Seeking Consumers : Buy luxury products to show off wealth, status and social power.
- Some variety-seeking consumers: Will move between products to avoid boredom (even if satisfied).

10.5.2 Trait Theory and Personality Traits (Elaborated)

Trait theory presumes that personality can be measured and classified by traits which are consistent across time and situations.

Innovative: Drive for product trial and market expansion.

- Materialism: More demand for things, luxury goods.
- Self-confidence: They have confidence in their own decisions; more of a risk-taker.
- Sociability: Preferring products, events and experiences designed for groups.
- Need for Cognition: Prefer detailed information, rational advertising appeals.

Marketers then link these traits to categories of products (e.g., high innovativeness → new tech gadgets).

10.5.3 Brand Personality – Concept & Dimensions (Detailed)

A brand is often anthropomorphized, with traits that customers can relate to.

- Sincerity: Genuine, clean family values (e.g., Dove).
- Arousal: Cool, adventurous, thrilling (e.g., Nike and Red Bull).
- Competence: Reliable, efficient and smart (e.g., Toyota and Microsoft).
- Prestige: Stylish, exclusive (e.g., Chanel and Rolex).
- Ruggedness: Strong, tough, outdoor (e.g., Jeep, Harley-Davidson).

Brand personality aids to foster emotional bonds beyond utilitarian benefits.

10.5.4 Personality Congruence and Brand Preference (Elaborated)

People are drawn to the brands that reflect who they are or who they want to be. This affinity creates emotional loyalty, satisfaction and loyalty.

- For example: Daring consumers → Jeep or Harley-Davidson.
- Example: Status-conscious consumers → Rolex, Louis Vuitton.
- Example: Pragmatic consumers → Toyota, Samsung.

Marketers create brand personalities that are meant to appeal to particular segments, referred to consumer-brands fit.

“Activity”

Think of two brands you regularly use. Identify your personality traits that influence these choices (e.g., adventurous, rational, status-seeking). Then, describe how each brand’s personality aligns with your own. Discuss whether this personality congruence makes you more loyal to the brand and less likely to switch.

10.6 Self-Concept and Buying Behaviour

10.6.1 Definition and Dimensions of Self-Concept

- Meaning: Self-concept is defined as all our thoughts, feelings and perceptions about ourselves.

- Dimensions:

Real Self – How one sees oneself as they are now.

Ideal Self – What a person wants to be.

Looking Glass Self – How you think others view you.

Optimal-Social Self – The way that a person would want parts of themselves to be perceived by others.

- (Re)positioning implications for marketing – The key popularity aspects discussed above can be integrated as dimensions in four different models that detail why consumers choose brands that mirror a state of their identity or project an augmented image of themselves.

10.6.2 Actual Self vs. Ideal Self

- Real Self: The one that presents the self of an individual including its strengths and weaknesses.

- o Example: A student with a budget mindset buys bargain clothing brands.

- Ideal Self: Imagines the person they want to be in life (ambitions, media and cultural values).

- o Example: The same student wants to be cool and wanted, so they purchase name-brand shoes or expensive electronics.

- Implication for Marketers: Markets can appeal to both — inexpensive items can target the actual self, while aspirational products are targeted at the ideal self.

10.6.3 Role of Self-Image in Purchase Decisions

- Definition: Self-image The way people see themselves, which guides what they purchase.

- Influence:

- o People purchase items that they feel validate who they are.

- o Status is projected by luxury goods in many cases.

o People that buy green products believe they are socially responsible.

• Example: A customer who identifies as an athlete purchases sportswear, fitness equipment or protein supplements to resonate a purchase with that personas.

10.6.4 Self-Congruity and Brand Choice

• Translation: Self-congruity is how well the self-concept of a consumer matches that of a brand.

personality or image.

• Effect on Brand Choice:

o Strong congruence → more preference, satisfaction and loyalty.

o Weak congruence → consumer apathy, switching of brands.

• Examples:

o Someone who is durable and adventurous would love Jeep or Harley-Davidson.

o The discerning reader prefers Chanel .or Rolex.

o A socially conscious consumer might favor Patagonia or The Body Shop.

• Marketing Removal: Brands are actively created with personalities which conform to those of their target consumers.

10.7 Summary

• Motivation guides the behaviour and buying decision for consumers.

⊗ Consumer motivation is based on needs and wants.

⊗ Reasonable and emotional reasons cooperate in our reasoning.

⊗ Consumer Motivation Theories Various factors drive consumers.

Personality and shopping preference Personality traits influence shopping styles - personality may affect the way an individual shops.

Brand personality and consumer's perception and loyalty Source: Own elaboration based on Aaker, J.L.

⊗ Identity to buying behaviour is explained by self-concept.

∞ There is distinction between what a consumer think he/she should be (ideal self) and point of perception of who they are which will results in both an aspirational and functional choice.

69 Self-congruity enhances the emotional attachment towards brands.

2∞ Knowledge of motivation and psychology helps marketers.

10.8 Key Terms

2.1 Motivation: The (internal) stimulus that moves/completes an individual to meet Needs and Wants.

Needs – Things that you cannot live without, the basics to keep you alive and happy (food, shelter, safety).

Desires – The unique wants that born via culture, lifestyle or personality from the needs.

Rational Reasons – Based on the logic, facts and utility.

Emotional Reasons – Purchases made on emotions, ego, fear or status.

Personality - The enduring characteristics and behaviors that consistently lead to an individual's responses.

Brand Personality – Human's characteristics perceived in a brand that affect consumer preference.

Self : The individuals' self concept (as their own image) that comprises people's choices of what to purchase.

10.9 Descriptive Questions

Explain what is meant by motivation with respect to consumer behaviour, indicating why it is important in marketing.

distinguish between wants and needs using appropriate examples.

Examine the rational and emotional reasons with examples of consumer purchases.

Discuss Maslow's hierarchy of needs and how its relevance in the development of a marketing plan provides opportunities for marketers.

Explain Herzberg's two-factor theory and how it is related to consumer choice.

1) What is brand personality? Describe its dimensions with appropriate illustrations.

What isnt the appropriateness of Personality congruence effecting on Brand preference?

Distinguish between real self and ideal self and explain how they impact on consumer behavior.

Discuss the self-congruity theory and its implications for consumer -brand relationships.

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Answers to Knowledge Check

Knowledge Check 1

1. c) Self-actualization
2. b) Price
3. b) Affiliation
4. c) Herzberg

10.11 Case Study:

Introduction:

The sportswear market has been booming over the last several decades as it is not only driven by performance necessity but also the lifestyle and fashion trends. Thus, consumers are motivated to buy sports clothing not only by the utility but also as it serves as motivation, identity representation, and identity fit with the brand personality. This case will focus on the consumer motivation and personality and how it affects the choice of sportswear and the company's action to this case.

Background:

ActiveLife is a moderately affordable sportswear brand. Although their product was of decent quality, it did not have the same market response as global brands such as Nike and Adidas. A qualitative study demonstrated that for the customers, the brand was functional and not aspirational or inspirational. Although Nike and Adidas fulfilled the needs of performing quality items, the aspirations were more about status, self-expression, and lifestyle and not reached out the target. As such, ActiveLife realized the need to have a deeper approach to consumer motivation and personality.

Problem 1: weak connection with consumer motivation:

Consumers perceive ActiveLife as an affordable and comfortable product but not motivational.

Solution: the company launched an advertising campaign that showed them the success stories of consumers, workouts, and motivational messages. By tapping into the need statements for personal achievements for self-actualization based on Maslow theory, the products were positioned as the tool for the performance and personal growth.

Problem 2: lack of clear personality:

Customers were unable to link the product with have an identity.

Solution: inspired by Aaker's theory of the self-expressive brand, the company revised its selling point as fun, young, and cool. They were doing many advertisements with cool young athletes and an over-the-competition design showing off which emphasized the excitement and competence as the potential advantage of a personality.

Problem 3: brand self-concept incongruence:

Many promising customers in target wanted to be fashionable, cool, and health-improving, but the simple design of the brand was not matching needed aspirational identity.


Solution: the company revised the design and development new collections that matched the consumer's ideal self: Affordable luxury lines for status-motivated customers and environmental-friendly lines for green philosophy followers. The first action led to increased brand preference due to self-congruity.

Conclusion:

In conclusion, the case has proven that motivation and personality highly affect the consumer purchasing act. Addressing motivational drivers and personality self-concept and congruity, ActiveLife has changed from functional to secreted, and its brand loyalty and preference have increased.

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Unit 11: Perception, Learning, and Attitudes

Learning Objectives

1. Understand the concept of perception and its role in shaping consumer behaviour.
2. Explain the perceptual process including sensation, attention, interpretation, and retention.
3. Analyze how selective attention, distortion, and retention influence marketing communication.
4. Examine consumer learning theories (classical conditioning, instrumental conditioning, and cognitive learning) and their marketing applications.
5. Identify the formation and components of consumer attitudes (cognitive, affective, and behavioural).
6. Evaluate how perception, learning, and attitudes interact to influence consumer purchase decisions.
7. Apply perception, learning, and attitude concepts in designing effective marketing and promotional strategies.

Content

- 11.0 Introductory Caselet
- 11.1 Introduction to Perception
- 11.2 Perception Process and Applications
- 11.3 Introduction to Learning
- 11.4 Consumer Learning Theories
- 11.5 Introduction to Attitudes
- 11.6 Attitude Formation and Change
- 11.7 Role of Persuasion in Marketing

11.8 Summary

11.9 Key Terms

11.10 Descriptive Questions

11.11 Reference

11.12 Case Study

11.0 Introductory Caselet

VisionMart, a midsize eyewear brand, began operations in a market dominated by Ray-Ban and Oakley. Initially, VisionMart thought competitive pricing plus stellar quality would be all he needed. Sales percolated, albeit steadily, until the company noticed something worrisome. Consumers saw VisionMart as “cheap” instead of “affordable.”

Elsewhere, rival brands forged tough attitudes via lifestyle- and fashion-focused advertising campaigns of their own that expanded well beyond self-expression. Though the VisionMarts glasses were rugged, purchasers wanted trendier spectacles, proving once again that in marketing you often sell image more than substance.

To address this, VisionMart researched marketing and consumer behavior theories. They studied perception (how consumers process information), learning (how brand messages are codified through experience and repetition) and attitudes (the ongoing evaluations that people form about products). Through rebranding of its pack and pushing the line with celebrity endorsements and campaigns that linked their product to style and confidence, VisionMart started to influence consumers.

Instead of a “cheap” store, VisionMart managed to be the smart choice — stylish and reliable but affordable.

Critical Thinking Question

Why was it necessary for VisionMart to gain an understanding of perception, learning, and attitudes before making changes in its strategy; what marketing risks could the company have been open to if they had not taken these factors into account?

11.1 Introduction to Perception

The concept of perception is key to comprehending how consumers perceive and react towards marketing stimuli. It doesn't just matter what a business says; how consumers perceive it is the bottom line. For instance, a perfume brand can craft a beautiful bottle and charge a fortune for it, but it's not the value of glass that motivates people to buy; rather, they perceive the product as prestigious or exclusive or simply stunning in appearance.

Perception becomes a filter, in this way: Reality is being molded by and to the individual. Two can encounter an identical product but have divergent experiences, depending on their surroundings, expectations and values.

11.1.1 Meaning and Definition of Perception

- **Meaning:** At its most basic, perception is the way we make sense of our environment. It connects what we perceive to how we know it.

- **Scholarly Definitions:**

- o “Perception is the manner in which people choose, organize, and interpret sensations to make sense of the world.”

- o In consumer behaviour, perception is the way buyers perceive marketing cues (e.g., price, advertising) such as packaging, logos, clothing brands etc.

- **Example:** Take the golden arches logo; consumers immediately know they’re looking at McDonald’s—“fast, affordable food”—before ever having to read the name.

11.1.2 Nature and Characteristics of Perception

Subjective – Perception is not the same for everyone. A “luxury” fragrance is perhaps too expensive

and by one customer as a mark of gentility.

Selective – Consumers do not pay attention to all information presented to them. They use filters like:

- o **Selective Attention** – Attending only to messages of interest (i.e., a health-cognizant person hears the commercials on organic foods).

- o **Selective Attention** – concentrating on certain stimuli while ignoring others (e.g., perceiving only sale information and not trying to understand specific tech product features).

- o **Selective Retention** – Recalling information that is consistent with one’s own beliefs (example: a consumer who favor Apple recalls only favorable reviews of the Iphone).

Fluid – Thoughts about something can become different. Rebranding can make a brand that is out of fashion cool again.

Creative – Perception is an active process; consumers creatively make sense of messages. To most people, a diamond ring is not simply jewelry but a sign of love or status.

Environment Influences – Culture, family, peers and advertising environment perceive beauty.

11.1.3 Perception vs. Sensation

- Sensation: Is the immediate input from our sensory organs. It is physiological.
 - o Example: eyes see red; ears hear a jingle; mouth tastes sweet.
- Percept: A step deeper — this is how the brain processes sensation into knowledge. It is psychological.
 - o For example, red may indicate luxurious (Coca-Cola, Ferrari) and sweet may be associated with indulgent (chocolates).
- Key Distinction:
 - o Sensation = Input (raw data)
 - o Perception = Interpretation (how we interpret what data means)

This difference in preference is what makes it possible for two folks to take a sip of the exact same coffee and taste one all “strong and premium” and the other as tasting “bitter and overpriced.”

Did You Know?

“Did you know that while sensation is simply detecting raw stimuli through our senses—like seeing a colour or hearing a sound—perception is the interpretation that gives it meaning? For instance, red might just be a wavelength of light, but consumers may perceive it as luxury, urgency, or even danger depending on context.”

11.1.4 Role of Perception in Consumer Buying Behaviour

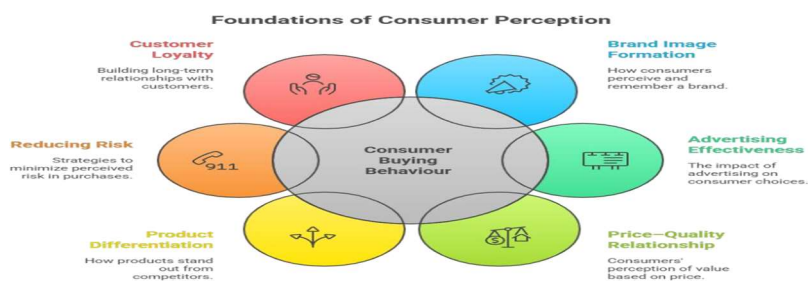


Figure 11.1

Formation of Brand Image – Weaving perception in to the brand personality. Whereas Apple is high-based and innovative, Walmart is low-based and practical.

Advertising succeeding or not is not determined by the ad itself but rather by how consumers interpret it. A funny ad can be fun for one group and vulgar to another.

Price-Perception – People associate expensive with quality (think luxury bags, high-end watches) without necessarily being functions more effectively than their cheaper counterparts.

Product Differentiation – Perception is everything or at least most of it in a competitive marketplace. Two soaps could be the exact same, but one marketed as “moisturizing” and the other as a “germ-killer” yield different perceptual experiences.

Reducing Risk — Perceptions of a strong, positive brand reduce the risk associated with sampling new products. A new product from Amazon likely has a higher trust value compared to the same listing for a product from an individual brand.

Brand Loyalty – Consumers will buy and not consider other brands because of favorable attitudes. Perception creates long-term emotional bonds.

11.2 Perception Process and Applications

It is important to note that perception is not an event organ, rather it's an ongoing process by which consumers receive, interpret, and makes sense of information. Insight into this process enables the marketer to plan attention-getting, meaning-shaping and positive brand building advertising campaigns.

11.2.1 Stages: Exposure, Attention, Interpretation, and Retention

Exposure

- o When consumers are exposed to a marketing stimulus (e.g., advertising, packaging, in-store displays).
- o Example: Looking at a billboard or skimming an online ad.

Attention

- o Select D Attention_ The selective concentration of attention on one object or even thought while excluding other things from consideration.
- o Example: Seeing a “50% Off” sign at in a store, even though there are many other signs.

Interpretation

- o Interpreting the stimulus based on past experiences, beliefs and cultural mores.
- o Example: Thinking that “organic” is better and safer.

Retention

- o Retaining information in memory for later decision making.

o Example: Recall Nike's motto "Just Do It" when shopping for exercise clothes.

11.2.2 Selective Perception and Perceptual Distortion

1) Selective Exposure: People will see messages that are salient to them.

o Example: A new mother noticing baby ads.

- Selective Attention: Consumers actually take whatever part of the ad they want to believe.

o Example: Seeing "Buy 1 Get 1 Free" more than the product itself.

- Selective Retention: We retain information that supports our beliefs.

o Example: A brand loyal consumer who recalls favourable iPhone reviews, and dismisses unfavourable ones.

- Perceptual Distortion – When consumers misunderstand or misremember details due to their bias or expectation.

o Example: Assuming an expensive brand is better (even though it may not be).

11.2.3 Perceived Risk and the Reduction of Risk

LePage Galina 315 Perceived risk is a feeling of confusion experienced when people are faced with the decision to purchase or not. Types include:

o Performance risk – Will the product perform?

o Investment – Is it worth investing financial capital?

o Social fear – What will he/she/they think?

o Psychological risk - does this make me feel better about who I am?

o Physical risk – Is there any physical harm in using it?

- Risk Reduction Strategies:

o Free trials, warranties, guarantees.

o Positive word-of-mouth and influencer endorsements.

o Strong branding and reputation.

o Easy return policies.

11.2.4 Applications of Perception in Marketing (e.g., Packaging, Pricing)

- Package: A great package grabs attention while also communicating quality (think luxury perfume bottles or eco-friendly packaging).

- Pricing: Odd pricing (for example, ₹999 instead of ₹1000) shapes perception of affordability. Premium pricing

creates perception of exclusivity.

- Store Design & Atmosphere: The sound of music, the light and the smell contribute to brand perception.
- Advertising: Slogans, colours, visuals and celebrities mould consumer perception.
- Brand Logos and Colours: Consider red is energetic (Coca-Cola), blue — trustworthy (IBM) etc.

11.2.5 Positioning Based on Perceptual Mapping

- Idea: A perceptual map is a visual representation of how brands are perceived by consumers on different attributes (price, quality, style, innovation etc) compared with alternative companies.

- Application:

- o Identifies gaps in the market.

- o Helps reposition brands.

- o Shows competitive strengths and weaknesses.

- Example: You could create a perceptual map of the car market, with BMW on high-quality and upscale Toyota on reliable and affordable Tesla on innovative and sustainable.

11.3 Introduction to Learning

Learning is one of the most important psychological processes in which individuals develop preferences for, habits involving and brand loyalty toward goods and services as a result of experience or exposure to marketing components. In consumer behavior, learning is not only the process of obtaining information but also an explanation for a change in attitude (attitude formation), or behavior as result of experience with product advertisements shops and brands.

11.3.1 Meaning and Importance of Learning in Consumer Behaviour

- Meaning:

Learning is the method by which customers get knowledge, develop associations and modify their behaviour through experience.

- o Example: A customer finds out one product of laundry soap can take out stains better so, it tends to buy.

- Importance:

Molds consumer preference – After what we used to do influences what we should buy.

Develops brand advocates – Ongoing positive experiences, and therefore repeat purchases.

Informs marketing efforts – Knowledge of learning can help businesses create compelling messages and promotions.

Decreased risk – Trusting in a brand allows consumers to take less risks when purchasing something new.

Forms habits – Learned behaviour often transforms into repeat buying habits.

11.3.2 Learning and Consumer Experience

- Experience Plays Role: Customers learn by using and consuming a product and by observing others using it (and through such sources as advertising, word-of-mouth, and reviews).

- Positive Experience: Create positive associations, satisfaction and loyalty.

- o Exemple : Il est possible qu'un restaurant qui offre un excellent service de repas suscite le retour.

- Costly Outcomes: Result in brand dismissal and negative word of mouth.

- o A negative example: A defective electronic product instructs a consumer not to purchase from that brand.

- Experiential Marketing: In marketing, trials, free samples, demos to get hands on experience that can impact purchase decision.

11.3.3 Reinforcement and Habit Formation

- Reinforcement:

- o Positive reinforcement: reinforcing learning by rewarding desirable behaviour;

- o Positive Reinforcement – A discount, loyalty points or a simple thank you for doing business gets repeated buying behaviors.

- o Negative Reinforcement: Taking away negative stimulus (e.g. fast delivery to reduce waiting time) encourages future purchases.

- Habit Formation:

- o When actions are reinforced enough, they become a routine.

- o Example: Picking the same toothpaste and not thinking about it.

- o Marketers rely on consistency, convenience and repeated exposure (of ads, promotions) to form habits around their products.

“Activity”

Think about a product you use regularly, such as a toothpaste, snack, or mobile app. Identify how you first learned about it—through ads, word-of-mouth, or direct trial. Reflect on whether positive reinforcement (discounts, rewards) or habit formation influenced your repeated purchase. Share how this learning shaped your buying behaviour.

11.4 Consumer Learning Theories

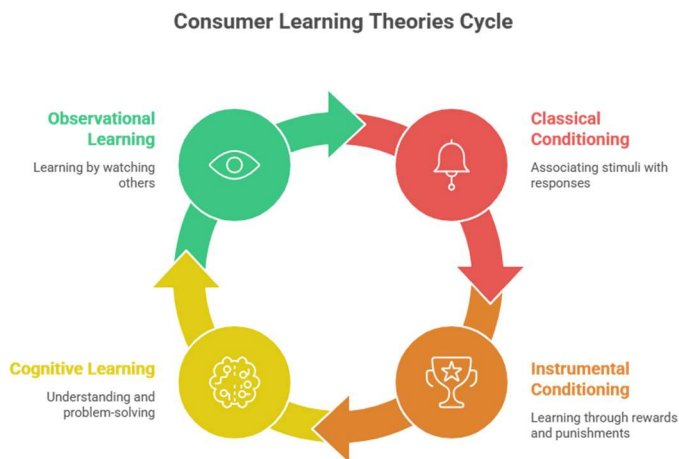


Figure 11.2

11.4.1 Classical Conditioning

Concept:

- In an idea first introduced by Ivan Pavlov, classical conditioning occurs when a neutral stimulus (something that initially means nothing) becomes associated with a meaningful stimulus; consumers develop a learned response.
- Customers, over time, begin to respond to the neutral stimulus as if it were the meaningful one.

Consumer Behaviour Example:

- Change the tune to a jingle (neutral) and use it over and over again with a brand name (meaningful). In the end, you feel good just by hearing the jingle.

- Example: Coca-Cola commercials frequently combine music, happiness and family with the product. Nowadays even Coke is linked to happiness.

Marketing Application:

- Repetition: Through slogans such as Nike's "Just Do It" or jingles like Intel's "ding-ding-ding-ding."
- Emotional pairing: Ads are about associating products with powerful positive emotions, like love, fun or success.
- For example: McDonald's 'I'm Lovin It' campaign associates the slogan and jingle with happiness and pleasure, so that whenever we hear it, we just feel nice about ourselves.

11.4.2 Instrumental (Operant) Conditioning

- B.F. Skinner proposed this theory, holding that behavior is driven by rewards or punishments.
- Customers make a purchase of which they approve (say, because it gets them a discount or good service) and continue to do so. If it brings negative effects (bad service), people steer clear.

Consumer Behaviour Example:

- A customer who receives a discount and prompt delivery from an online shop is more likely to purchase again (reward).
- A person who encounters surly staff or slow delivery may cease shopping with that brand (punishment).

Marketing Application:

- Loyalty programs: Starbucks Rewards, through which frequent buyers can earn free drinks.
- Discounts coupons: Flipkart and Amazon leverage holiday sales and coupons to drive repeat purchases.
- Guarantees & warranties: Samsung offered product guarantees which lowers the risk involved and negative reinforces (taking worry away).

11.4.3 Cognitive Learning Theory

Concept:

- Contrary to conditioning, cognitive learning theory implies that customers learn by doing more than simply passively accepting.
- It's not that you're just repeating something or getting rewards, but making a decision based on the information provided to you.

Consumer Behaviour Example:

- A customer uses the internet to compare smartphone models, consults reviews on YouTube and scrutinizes features before deciding on which one will give him or her the best value.
- Example: Someone thinking of taking a trip might research hotels on TripAdvisor, look for ratings and then decide with awareness.

Marketing Application:

- Educational commercials: Tech brands such as Apple go into great detail at product launches about the features of the particular product.
- Content marketing: Blog posts, tutorials and product comparison
- Comparison charts: Companies like Samsung and Dell display models next to each other in side-by-side comparisons to help consumers make decisions with ease.

11.4.4 Observational (Social) Learning

- According to Albert Bandura, this theory states that people learn by observing others and then copying what they have observed.
- Shoppers aspire to role models, peers and influencers when deciding what to buy.

Consumer Behaviour Example:

- A consumer, younger in age group, buys Adidas shoes after spotting their favourite footballer wearing it.
- Kids often select Kellogg's cereals because they are used to seeing parents bring them home.

Marketing Application:

- Celebrity endorsements: Coca-Cola and Reebok deploy athletes and movie stars to sway consumers.
- Influencer marketing: Beauty influencers YouTube on or Instagram promote products from brands that operate online, such as Nykaa or Sephora.
- User-generated content: Amazon reviews or Instagram reels from customers instill trust and inspire others to make a purchase.
- Viral Campaigns: Agua Das Pedras was an example of how TikTok and Instagram challenges (Coca-Cola #ShareACoke) have impacted socially the brand.

11.4.5 Relevance of Learning Theories in Marketing Practices

Brand Building – Repetition and associations (classical conditioning) lead to strong brand recall.

Customer Retention – Rewards and loyalty programs (operant conditioning) encourage returning purchases.

Informed Consumers – Sharing information (cognitive theory) leads to rational decision making.

Social Influence – The influence of influentials and peer groups is apparent in observational learning.

Risk Minimization – Experience can reduce uncertainty on future buying.

Habit Building – Reinforcement tactics to persuade long-term habit buying.

Knowledge Check 1

Choose the correct option:

1. Which theory explains learning through association of stimuli?
 - a) Operant conditioning
 - b) Classical conditioning
 - c) Cognitive learning
 - d) Social learning
2. Which learning theory is based on rewards and punishments?
 - a) Operant conditioning
 - b) Classical conditioning
 - c) Observational learning
 - d) Cognitive learning
3. Which theory emphasizes active mental processing and problem-solving?
 - a) Cognitive learning
 - b) Operant conditioning
 - c) Social learning
 - d) Classical conditioning
4. Learning through imitation of others' behaviour is called?
 - a) Operant conditioning

- b) Cognitive learning
- c) Social learning
- d) Classical conditioning

11.5 Introduction to Attitudes

11.5.1 Meaning and Components of Attitude (ABC Model)

- Definition: Attitudes are how someone fundamentally feels—favorably or unfavorably—about an object, product, brand, or idea.
- Nature: Attitudes are acquired, stable but malleable and frequently express deeper values.
- Components (ABC Model):

Affective (Feelings) – Emotional responses to an object.

♣ Eg: A new iPhone release and the anticipation behind it.

Behavioural (Actions) – Doings that define a person.

♣ Example: Purchasing Nike shoes regularly.

Cognitive (Beliefs/Knowledge) – Attitudes and beliefs about an object.

Example of psychological bias: Thinking that electric vehicles are more environmental and affordable.

Taken as a whole, these three factors (Affect)Behaviour(Cognition)) represent the full breadth of an attitude system.

11.5.2 Functions of Attitudes

Attitudes in consumer behaviour:- According to Katz's functional theory, there are four functions of attitude:

Utilitarian Function – Assists the consumer in obtaining rewards, and avoiding punishments.

o Example: Paying for sunscreen to prevent sunburn.

Ego-Defensive: This serves to protect self-esteem or justifies the act.

o Example: Selecting expensive clothing in order to feel confident.

Value-Expressive Function: When reaching for the brand to express their values and self concept.

o Example: Choosing green companies and brands while shopping to show that one is environmentally aware.

Information Function – Assists users in structuring and reducing complexity of product-related information.

o Example: If one thinks that Apple is innovative, then he or she anticipates future products of Apple to be innovative.

Did You Know?

“**Did you know** that attitudes not only guide consumer choices but also serve important psychological functions? They help people **simplify decisions (knowledge function), express values (value-expressive), protect self-esteem (ego-defensive), and maximize rewards (utilitarian)**. Marketers design campaigns to tap into these functions, influencing how consumers think, feel, and act toward brands.”

11.5.3 Role of Attitude in Consumer Buying Decisions

Evaluation of a Brand – Consumer’s evaluation perception of brands is done based on their existing behaviour. The more I like it, the better chances there are that I will buy.

Intentions to Buy (Purchase Intention) – Favourable attitudes very strong behaviour trigger that lead towards desire to act i.e. purchase product.

Building Loyalty – Repurchase and brand loyalty derive from positive feelings, which are consistent over time.

Resistance to Change – Once shaped, attitudes are resistant to change - it is hard for new brands to break into the market.

Marketing Strategy-They conceive campaigns to position or re-position attitudes (to introduce, reinforce, change... through testimonials/success stories/emotion).

11.6 Attitude Formation and Change

11.6.1 Sources of Attitude Formation

Personal Experience – Personal use of a product determines attitudes (positive experience generates favourable attitudes; negative experiences lead to resistance).

o Example: Riding a smooth car creates goodwill towards the brand.

Family and Peer Influence-Parents, friends and the social group influence on attitudes.

o Sentience: (Example) Teenagers tend to have brand preferences that are based on peer acceptance.

Marketing Communication – Advertising, celebrity endorsement and brand message project consumer attitudes.

o Example: Nike's ads motivate, while reaffirming success-oriented mindsets.

Cultural and Social Values – Your culture influence your attitude toward consumption.

o Model: Environmental values lead to attitudes towards sustainable brands.

Learning and Conditioning – Attitudes are developed through exposure, rewards, and associations.

11.6.2 Theories of Change of Attitude (Likelihood Model, u.s.w.)

Consumers' attitudes towards products or brands are not cast in stone; they can also be changed through persuasion and experience.

There are multiple psychological theories that explain how attitude change occurs, and can be harnessed by marketers.

Elaboration Likelihood Model (ELM)

- Concept: This model appears to be based on the notion that persuasion may occur in one of two alternative unsolicited conditions depending upon the buyer's level

of involvement and motivation.

a) Central Route

- The consumer ponders and evaluates the message, scrutinizing facts, logic and evidence.
- Is best for high-involvement products, in which buyers like to receive a lot of information before committing.
- Example: A task is purchasing a laptop or car; a consumer reads specifications, compares brands and watches expert reviews before arriving at an attitude.
- Marketing Applications: Download in-depth ads, product demos, white papers and comparison guides for real decision making.

b) Peripheral Route

- Consumers are not thinkers, but were swayed by surface-level signals such as celebrity endorsements, handsome designs and jingles or packaging.
- Best for low-involvement products: Those that are bought casually, with little thought.
- Example: A buyer may select Frito Lays chips due to appealing commercials with stars, not for nutritional value reasons.
- Marketing Use: Employ colorful packaging, humor, jingles, celebrities or overall visual appeal to guide impulsive instincts.

Cognitive Dissonance Theory

- Concept: This theory, introduced by Leon Festinger, theorizes that consumers will experience psychological stress (dissonance) when their actions are at odd with their beliefs. To mitigate discomfort, they can shift attitudes or rationalize behavior or save face in the future.
- Example 1 : A that people of a smoker intervention with smoking anti-sees ads. They can: To lessen the pain, they may:
 - o Change behaviour (quit smoking), or
 - o Make excuses for it ("I smoke only occasionally, so its not bad").
- Example 2: A consumer purchases a costly iPhone, only to feel bad afterward about having overspent. To reduce dissonance, they could rationalize it: "It is more secure and lasts longer than cheaper phones."
- Marketing Use:
 - o Offer after-sales reassurance (emails, thank-you notes, service support).
 - o Provide guarantees and warranties to help remove concerns.
 - o Display success stories to validate the consumer's purchase.

Balance Theory

- Idea: "We like balance." Meaning we want to have consistency in our relationships, attitudes, and beliefs System by Fritz Heider. If out of equilibrium, they change their attitudes such that they reach the pair and reestablish balance.
- Example:
 - o If you are a fan of Virat Kohli and he is promoting Puma shoes, then the chances are that as a consumer, to fit in with what they admire and their purchase decision consumers would like Puma.

o On the other hand, if a detested celebrity endorses a brand, people might even refrain from buying the product to remain true to their anti-feeling.

- Marketing Use:

- o Use celebrity testimonials to influence users positively.

- o Align with the influencers or causes that consumers already respect.

- o Brand Uniformity: One of the main reasons for using a custom presentation folder is to ensure brand consistency and avoid mixed messages.

11.6.3 Resistance to Attitude Change

- Brand Loyalty – Consumers with a strong, enduring favourable brand attitude are resistant to communication from competitors.

- Selective perception – Consumers screen out messages that do not fit their existing attitudes.

- Level of Involvement - The most involved the less susceptible we are to a rapid change in attitude.

- Cultural & Social Anchoring – The cultural foundation is deeply implanted, making it difficult to change (eg: opinions concerning vegetarianism in some communities).

- Mistrust in Communication – Consumers resist communication if they sense the intent is manipulative.

11.6.4 Role of Communication and Messaging

Message Content – Informational appeals are more effective for rational decision making (insurance), while emotional appeals work best with symbolic products (luxury products).

Source Credibility – Change is more likely to happen if it comes from a credible reliable source (Doctors, specialists, famous people).

Message Repetition - More and consistent calls contribute to attitude formation.

Mediums of Communication – TV, social media, print, and experiential marketing make a difference in how messages are responded to.

Two Perspectives – Both the positive and negative sides of a product or service are presented which can promote trustworthiness and diminish resistance to change.

11.7 Role of Persuasion in Marketing

11.7.1 Meaning and Relevance of Persuasion

- Definition: Marketing persuasion is a intentional selection of communication to induce or reinforce consumer attitudes and resulting behaviour.

- Relevance:

- o Stimulates consumers into “trial” of new products.

- o Strengthens Support: Never forget to remind what you have done for them.

- o Distinguishes brands in competitive marketplaces.

- o Invests in long-term positioning. (Generate perceptions) Description.nbThe third is that it shapes perception Description(nb

Example: Ad campaigns like “Because You’re Worth It” (L’Oréal) induce emotional loyalty, whilst analogies have no such power.

brand preference.

11.7.2 Principles of Persuasion (Model of Robert Cialdini)

Reciprocity – Individuals are compelled to repay favours.

- o Example: Free samples encourage purchases.

Commitment and Consistency – Once you get someone to commit, we try and make them committed.

- o An example of this is seen where Loyalty cards encourage repeat purchasing.

Social Proof – People do what others do.

- o Ex: Bestseller/ Most popular choice.

Authority – People tend to believe experts or those in authority.

- o Example: Doctors endorsing health products.

{Liking– Purchase intentions are stronger when consumers like the brand/person.

- o Example: Celebrity endorsements.

Scarcity – If supply is too low, demand rises.

- o Examples: “Only 2 left in stock” messages in e-commerce.

11.7.3 Designing Persuasive Messages

- Appeal to message: Select an appeal, either rational (information, data) or emotional (fear, humor, pride).

- Clear and Simple: Communications need to be simple to understand and easy to remember.

- Fit with the target audience: Customize the content to consumer needs, motivations and personality traits.

- Repetition and Reinforcement: The more we hear something, the more persuasive it is.
- Multi-Channel Delivery: Combining TV, the social media, influencers and experiential for a more powerful message.

Exemple : les pubs Apple mêlent emotional appeal (la créativité, le lifestyle) et rational appeal (les fonctionnalités).

11.7.4 Ethics in Persuasive Marketing

- Clarity: Marketers should not make incorrect or misleading statements.
- Respect for Autonomy of Contact Partners: Persuasion should be a leading, not misleading.
- Preventing Exploitation: Marketing may not take unfair advantage of the lack of experience, skill, or knowledge of children or consumers who are elderly.
- Honest Communication: Promises made about products should be based on information that is true and not misleading.
- Social Responsibility: Persuasive appeals should be congruent with ethical and social norms (e.g., emphasizing sustainability as opposed to overconsumption).

Illustration: Ethical Case Unfortunately, there are many examples that fit into the “Ethical but Legal” category like fear inducing tobacco warnings campaigns.

11.8 Summary

⊗ Consumer's perceptions determine the manner in which they interpret marketing communications.

The perception process consists of exposure, attention, interpretation, and memory.

⊗ Selective perception and distortion accounts for why consumers see brands differently.

⊗ Risk as a determinant of purchase behavior and risk reduction strategies.

⊗ Education is a major influence on consumer experience and behavior.

⊗ Consumer learning can be explained with the help of classical, operant, cognitive and observational learning theories.

⊗ Attitudes: Affect, Behavior, and Cognition (ABC model).

⊗ Functions of attitudes can be utilitarian, ego defensive, value expressive and knowledge.

⊗ Persuasion is based on reciprocation, expertise, similarity and scarcity.

⊗ Is Ethical Persuasion, or the foundation for transparency in fairness and trusting the customer.

11.9 Key Terms

Perception – The means through which consumers choose, organize and interpret information to make sense of that information.

Feeling – The unprocessed information given through the senses like vision, sound or touch.

Perceptual Selectivity – The selectiveness of consumer perception to screens and pay attention only to the selected amount of the available sensory input.

Perceptual Logic – A graphical representation of how consumers perceive brands in comparison to alternatives.

Learning – Modification of behaviour through experience, reinforcement, or observation.

Example: Paw the hand to make it tickle. Skill: Classical Conditioning - Learning through the association between a response and an external stimuli.

Operant Conditioning – When you learn to do something because of a reward (positive reinforcement) or to avoid something bad.

Attitude A learned predisposition to respond in a consistently favourable or unfavourable manner to a given object.

ABC Model of Attitudes: Theoretical model in which attitudes are conceptualized as affect (feelings), behaviour (actions) and cognition (beliefs).

Persuasion – The shaping of consumer attitudes, beliefs and behaviour through communication.

Introduction to Perception

Explain what is perception in consumer behavior and discuss how it is important for marketing.

Explain the salient features of perception emphasising on it being subjective and selective.

Distinguish between sensation and perception with appropriate consumer examples.

Describe how the perception process works and how it affects consumer decisions.

Explain how selective perception influences consumers' response to advertising?

Explain how the consumer perception affects the brand image and position in a market of competitors.

Discuss the impact of perception on consumers' attitudes towards price and quality?

How Marketers Can Leverage Perception to Mitigate Risk and Encourage End-User Loyalty

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Answers to Knowledge Check

Knowledge Check 1

1. b) Classical conditioning
2. a) Operant conditioning
3. a) Cognitive learning
4. c) Social learning

11.12 Case Study

Introduction

ChocoDelight's packaging was cheap and cost effective, the brand being one of those selling in the mid range segment. For years it did fine, but as more upscale chocolate brands came in, ChocoDelight started to lose customers. Consumers were beginning to think of it as an “everyday” brand, rather than one that brought indulgence or superior quality.

But due to the perception gap — there was very little wrong with them, taste and value wise — sales fell. The company understood that reconnecting with consumer attitudes, behavior and perceptions were critical to restoring its position. This case discusses how the company managed to handle these psychological angles in its PR and revamp their image to regain customers.

Background

Customer Insights From market research, there were three issues:

Perception Issue – The brand was looking dated vs modern premium competitors, in Packaging and Advertising.

Learning Gap – People tasted Choco Delight and generally enjoyed it, but with little promotion or sampling, they had less opportunities to have a good experience.

Attitudinal Challenge – Younger consumers had highly-developed attitudes linking indulgence and

satisfaction with competing brands, making ChocoDelight look “basic.”

Problems Identification 1: Poor Brand Image Perception Negative

Problem: Consumers saw ChocoDelight as looking too cheap, not premium. Solution: The brand revamped packaging with contemporary imagery, saturated colors and premium cues. Visually and verbally, the advertisements deployed emotional appeals, associating the brand with joy, family, celebration.

MCQ:

What is the most effective advertisement campaign for enhance ChocoDelight’s image?

- a) Cutting product price
- b) Redesigning packaging and ads
- c) Reducing promotions

d) Limiting distribution

Answer: b) Overhauling packaging and ads

2.3 Problem Statement 2 Consumer's Learning Is Minimal When coming from an ex-ante perspective, definition a consumer learns by experience, only to construct beliefs and may gain some experience when purchasing their first (best) action from the firm makes learning impossible!

Challenge: Limited learning based on direct experience as only a small number of shoppers had the chance to trial the brand. Solution – ChocoDelight started with free samples in malls, running offers like “Buy 1 Get 1” and tied up with Cafes for desserts. The repetition and positive reinforcement facilitated the formation of habits.

MCQ:

What will train consumers to learn and come back for more?

- a) Limiting product trials
- b) Free samples and promotions
- c) Reducing availability
- d) Fewer advertisements

Answer: b) Samples and discounts

Problem 3: Weak Attitudinal Bonding with Consumers

Issue: Attitudes toward the brand were neutral or negative compared to rivals.

Solution: Using the ABC model of attitudes, the company undertook educational campaigns:

- Affective: Ads developed emotional associations with joy and festivity.
- Behavioural: Drive trial through discounts and promotions.
- Cognitive: Emphasized the quality, richness of taste and affordability of the product.

MCQ:

Which model suggests that attitude is the result of a combination of affect, behaviour and cognition?

- a) Maslow's model
- b) ABC model
- c) Balance theory
- d) Herzberg's theory

Answer: b) ABC model

Conclusion

The resurgence of ChocoDelight demonstrates how perception, education and outlook can so significantly influence consumer purchase decisions. Through a packaging redesign, trial-driving experiences and shaping feelings via emotional campaigns, the brand redefined itself as both accessible and indulgent. The evolution illustrates the value of marrying psychological findings with marketing tactics.

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Unit 12: Consumerism, Ethics, and Social Responsibility

Learning Objectives

1. Understand the concept of consumerism and its role in modern markets.
2. Analyze ethical issues affecting businesses and consumers.
3. Examine the importance of corporate social responsibility (CSR).
4. Identify the rights and responsibilities of consumers.
5. Evaluate the impact of ethical practices on brand image and trust.
6. Explore the relationship between sustainability and business ethics.
7. Apply ethical frameworks to decision-making in business contexts.

Content

- 12.0 Introductory Caselet
- 12.1 Consumerism and Consumer Rights
- 12.2 Ethical Issues in Marketing
- 12.3 Corporate Social Responsibility (CSR)
- 12.4 Green Marketing and Sustainable Consumption
- 12.5 Summary
- 12.6 Key Terms
- 12.7 Descriptive Questions
- 12.8 References
- 12.9 Case Study

12.0 Introductory Caselet

GreenHarvest is a medium-sized food company in the nation of Alvaria. It gained popularity for its cheap packaged snacks and drinks. Consumer groups in Alvaria, however, began expressing concerns about GreenHarvest's products' high sugar content and its overuse of

plastic packaging. Initially, the company brushed off these concerns, insisting that its customers continued to adore its products. But consumer activists soon launched campaigns, and the government imposed stricter labeling and waste management rules.

Elsewhere, a competitor company, NutriPure, launched healthier snacks in environment-friendly packaging. Consumers were quick to embrace NutriPure due in part to its morality and duty toward society. GreenHarvest's sales started to dwindle, and its reputation was tarnished. GreenHarvest saw what was happening and decided to do something. It established an ethics committee, lowered sugar, invested in biodegradable packaging and launched a "Healthy Future" campaign to win back trust.

This change didn't just boost GreenHarvest's image, it also made sure it was consistent with consumer demands for fairness, safety and accountability. The case represents an example of how consumerism, ethics and social responsibility can impact the survival and growth of a company.

Critical Thinking Question:

Why were GreenHarvest, refrain from responding to consumer and ethical concerns, what would the company have risked?

12.1 Consumerism and Consumer Rights

12.1.1 Concept of Consumerism

Consumerism is a social and economic order that encourages an acquisition of goods and services in ever-increasing amounts. It underscores the fact that business is all about people, they should not be taken advantage of. The idea promotes the notion that it is up to businesses to ensure safe, high quality products, sufficient information and fair trade practices. Consumerism was born out of exploitation such as cheating in trade, inferior quality goods, adulteration deception and irresponsibility on the part of producers. It underscores the importance of consumer education, empowerment, and legal protection to protect consumer rights in the marketplace.

12.1.2 Consumer Rights

Understanding Consumer Rights

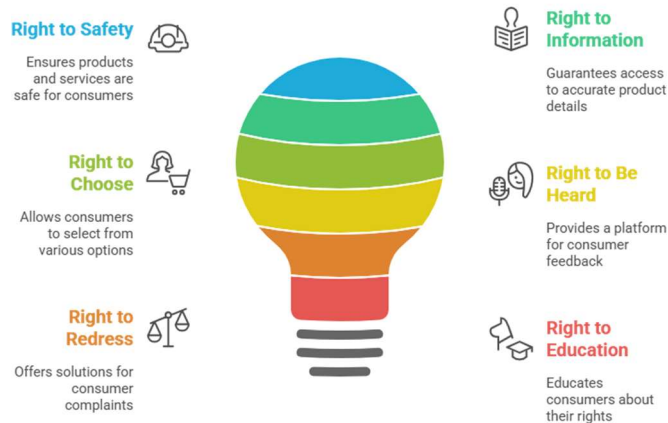


Figure 12.1

Right to Safety

This guarantees that consumers are protected against products, goods and services which may be harmful to life and health. It requires manufacturers and vendors to provide safe, properly working products. For instance, electrical goods are subjected to safety certifications and foods should not be contaminated.

Right to Information

It is the right of consumers to be protected against products that are detrimental to health and life. Consumers also have the right to know about quantity, quality, purity standard potency, price etc. This is so that consumers know what they're using and aren't misled by hidden ads, false representations or non-labelling.

Right to Choose

This freedom of choice provides the consumer with the opportunity to shop around for goods and services at competitive prices. It also helps to curb the monopolies and reduce trade-restricting practices of sellers' where consumers are only allowed to buy specific brands/products.

Right to Be Heard

It's the consumers right to express if something is not right with a product or service. It does that by making sure consumer complaints are at the table when we make policy and companies can be held accountable for wrongdoing. Consumer forums, helplines are some of the options to exercise this right.

Right to Redress

It is a right that enables consumers to pursue claims for unfair trade practices, exploitation or provision of inferior goods and services. It offers a products return, money back or defective goods replacement to customers. Consumer prompts and grievance redressal bodies are very important in realizing this right.

Right to Education

Consumers are simply looking to be better informed in their purchasing decision through learning. Education of the consumer is concerned with their rights, obligations and recourse available under law. It gives people a voice to fight back against abuse and fraud in the marketplace.

12.1.3 Consumer Protection Mechanisms in India

Consumer protection in India is targeted through legal and institutional mechanisms.

- **Legislation:** The Consumer Protection Act, 1986 (now replaced by the Consumer Protection Act, 2019) is a legislation designed to protect the interests of consumers. It creates consumer complaint settlement authorities at the district, state, and national levels. The Essential Commodities Act, Prevention of Food Adulteration Act and Standards of Weights and Measures Act are some other supportive regulations.
- **Judiciary:** Consumer Dispute Redressal Commissions (District Forum, State Commission and National Commission) adjudicate the cases filed in respect of faulty goods, defective service or unfair trade practice.
- **Institutional Mechanisms:** The Bureau of Indian Standards (BIS), Food Safety and Standards Authority of India (FSSAI) and Reserve Bank of India (RBI) are the regulatory bodies ensuring consumer protection in their respective sectors.
- **Self-Regulatory Codes:** In addition to other measures, businesses can consider following voluntary codes of conduct and self-regulation codes as the means by which consumers are protected.

12.1.4 Role of Consumer Organizations and Activism

Consumer organizations have an important role in building awareness and advocating consumer rights and providing support for consumers in grievance settlement.

- **Information and Education:** To raise awareness about the rights and responsibilities of consumers through various methods like campaign, Journals, workshops etc.
- **Representation:** These groups represent the interests of consumers in the halls of power, helping to ensure that those in power hear from the consumer perspective when enacting new laws and regulations.
- **Legal Aid:** Several organizations help consumers in lodging a complaint, representing them at the consumer forums and even providing legal counselling.

- **Activism:** Consumer activism is the term used to describe actions such as protests, petitions, boycotts and campaigns in which groups of people take action to ensure that producers and sellers act fairly. It's a lever that can be used to force companies and government agencies to put consumers first.

12.2 Ethical Issues in Marketing

12.2.1 Misleading Advertisements

Deceptive ads Unfair marketing is unfair to consumers when you're not being truthful.

- **Forms of misleading advertisements:**

Unrealistic product benefit claims (such as very fair looking face creams).

o Suppression of vital information (such as not informing you about the side effects of medicines).

o Deceptive imagery (before/after shots with no evidence).

o Use of the fine print to conceal important terms (such as loan adverts that do not reveal charges).

o False endorsements by celebrities.

- **Implications:**

o One other issue with CENTRAL BUSINESS DISTRICT products is that the customers are wrongly identified and could turn out spending a large amount of money on useless or harmful items.

o Competitors face unfair disadvantages.

o Loss of trust from consumers in brands and advertising.

- **Regulation:**

o Advertising Standards Council of India (ASCI) regulate advertising standards vigilant o March 6, 2017 Issue: Discussion: Advertising norms The ASCI monitor advertisement ethics.

o Consumer Protection Act, 2019 provides punishment for false misleading advertisements.

12.2.2 Privacy Concerns and Data Protection

The advent of digital marketing has turned consumer information into a valuable weapon — and a major ethical issue.

- **Types of personal data collected:**

o Contact details, addresses, financial information.

o Location, browser and purchase history.

- o Use of social media and browse patterns on Internet.
- Ethical issues:
 - o Sharing or Selling customer data without consent.
 - o Algorithmically driven targeting of consumer behaviors.
 - o Over surveillance by way of cookies and other tracking technologies.
 - o Unwanted emails and calls en masse through Spam.
- Consumer concerns:
 - o The concern of identity theft and scam.
 - o Distrust companies that do not give value for the data.
- Legal and regulatory frameworks:
 - o and General Data Protection Regulation (GDPR) over in Europe.
 - o China's Personal Information Protection Law, 2023..currentTarget=#5; India's Digital Personal Data Protection Act, 2023.
 - o Companies would need to secure an informed consent, transparency and opt-out.

12.2.3 Predatory Pricing and Unfair Competition

D: All of the above Explanation: Predatory pricing consists of selling very cheap to launch competition out of the market, on the other hand, unfair competition is based on wrong tactics to win a place in the market.

- Predatory pricing:
 - o Big companies cut prices at below cost in order to oust small rivals.
 - o Once they eliminate competition, they raise prices to monopolist levels.
 - o Demonstration: International online traders charged with contrabanding to monopolize markets □ Example: Global electronic trading platforms being put on trial for dumping in order to gain control of trade.
- Unfair competition practices:
 - o False propaganda against competitors.
 - o Piracy of logos, packaging or branding in order to mislead the consumers.
 - o Selling products in overseas markets at lower price.
- Impacts:

- o Small firms are driven out of the market.
- o They come to be exploited, although may derive some short term advantages of lower prices.
- o Distortion of healthy market competition.
- Regulation:
 - o In India, Anti competitive and monopolistic trade practices are prohibited under the Competition Act, 2002.
 - o CCI is the enforcement of competition law in India – monitors, penalizes

12.2.4 Cultural Considerations and Ethics in Global Marketing

Cultural awareness underpins communications so that marketing messages are sensitive to the culture, religion and customs of different communities.

- Ethical concerns in global marketing:
 - o Misuse of religious symbols in unrelated setting.
 - o Perpetuation of stereotypes (gender, race, ethnicity).
 - o Local Culture being misrepresented in adverts.
 - Insensitive jokes or language lost in translation.
- Examples:
 - o Advertisements that hurt religious feelings not deliberately.
 - o Abuse of national flags or emblems in advertising agencies.
 - o Global fastfood chains modifying menus in India (veg options) as a sign of consciousness.
- Principles for ethical global marketing:
 - o Respect diversity and inclusivity.
 - o Before campaigns, perform cultural investigation.
 - o Modify ads to regional customs and linguistic terms.
 - o Avoid offensive or discriminatory content.
- Benefits of cultural sensitivity:
 - o Builds consumer trust and loyalty.
 - o Improves the traceability of products brand abroad.
 - o Prevents backlash and boycotts.

Did You Know?

“Global marketing blunders often occur due to cultural insensitivity. For example, Pepsi’s “Come Alive” campaign translated in China as “Pepsi brings your ancestors back from the grave.” Such errors highlight the importance of cultural research, localization, and respecting traditions to avoid damaging brand reputation in international markets.”

12.3 Corporate Social Responsibility (CSR)

12.3.1 Concept of CSR

The Concept and Significance of CSR
CSR : Corporate Social Responsibility

- Corporate Social Responsibility (CSR) is the obligation of organisations to care for the benefit of society while achieving business objectives in an ethical and sustainable manner.
- It transcends the pursuit of profit and may include social, environmental and other concerns.
- CSR is based on the premise that businesses have responsibilities not only to shareholders but share them with various stakeholders like employees, customers, communities and environment too.

Importance of CSR

- Encourages sustainable development, which is concerned with promoting economic well-being in ways that also reduce or eliminate environmental impacts and aspects of social inequity.
- Fosters trust and good will among stakeholders, enhancing a company’s reputation.
- Targets social needs including poverty, education, health and environmental degradation.
- Promotes responsible business and long term value creation.

12.3.2 Approaches to CSR

Philanthropic Approach

- Addresses gifts by companies to charitable causes.
- Donations being made to NGOs, financing of schools, hospitals or disaster relief system.
- CSR (corporate social responsibility), which is often seen as a traditional practice that’s unrelated to (“beyond”) core business strategy.

Strategic CSR

- Incorporates CSR initiatives in the corporate business strategy.
- Seeks to integrate social ambitions with business objectives to foster shared value.
- Example: A tech company that offers digital literacy courses and grows its market.

Cause-Related Marketing (CRM)

- Connects a company's products or services to a social cause.
- A percentage of proceeds from every purchase benefits the cause.
- Develops emotional connections to consumers and serves a social issue.
- Example: Campaigns in which a brand pledges to donate to cancer research for each product sold.

12.3.3 Benefits of CSR for Business and Society

Benefits for Business

- Enhances brand image and reputation.
- Creates brand loyalty, particularly among socially concerned consumers.
- Creates happy and longer working employees who find purpose in their role.
- Taps into new markets and opportunities by meeting community needs.
- Minimizes risks as it is in line with environmental and social legislation.

Benefits for Society

- Takes on real-life social challenges from education, healthcare and sanitation to poverty.
- Encourages environment friendliness: being a company promoting environmental sustainability, the firm's eco-friendly initiatives are examples.
- Strengthens community infrastructure and capacity-building.
- Spurs inclusive development by providing those on the margins a voice.

12.3.4 Case Studies on CSR in India and around the World CSR in India

- Tata Group: Committed to spending on education, healthcare, rural development and environment conservation. Several charitable institutions and hospitals are run by Tata Trusts.
- Infosys Foundation: Focuses on healthcare, education, rural development and arts and culture.

ITC Limited — e-Choupal (digital empowerment of farmers), social forestry, and watershed development projects.

- Reliance Industries: Centers its philanthropic activities in health care (Sir H. N. Reliance Foundation Hospital), education and disaster response.

Global CSR Examples

- Microsoft: Operates worldwide programs focused on digital literacy, education and environmental sustainability.
- Google: Revves the leviathan that is Google, everywhere but U.S. and Canada via GitHub.To catch 'em (which we haven't), building out renewable energy projects where they're needed & showing love to non-profits around the world. org.
- Unilever: Advances sustainable sourcing, reduction of plastic waste and health & hygiene advertising via brands.
- Starbucks: Ethically sources coffee, benefits local communities and cares about the environment.

“Activity”

Form small groups and select a company of your choice. Research its CSR initiatives and classify them under *philanthropic*, *strategic*, or *cause-related marketing*. Prepare a short presentation highlighting how the company’s CSR benefits both business and society. Discuss whether these initiatives are genuine efforts or brand-building strategies.

12.4 Green Marketing and Sustainable Consumption

12.4.1 Meaning and Scope of Green Marketing Meaning

- Green marketing the promotion of environmentally friendly and sustainable products, services and business practices.
- It’s designing, manufacturing and marketing products in a way that avoids environmental harm.

Scope

- Processing eco-products to low-environmental-effect products.
- Utilizing sustainable raw materials and renewable energy in manufacturing.

- Using environmentally friendly packaging that is recyclable, biodegradable or returnable.
- Getting across transparency about environmental claims to gain trust from consumers.
- Growing into sectors such as energy, transportation, fashion and food.

12.4.2 Strategies for Green Marketing



Figure 12.1

Eco-Friendly Products

- Creating products that use less of the earth's resources and generate less waste.
- Examples: Electric cars, organic food, biodegradable cleaning agents.
- Fosters innovation and reduces the environmental impact.

Green Packaging

- Packaging with recyclable, reusable or biodegradable materials.
- Reduces plastic waste and pollution.
- Example: Businesses with paper straws, compostable bags and little packaging.

Carbon Neutral Initiatives

- What businesses are doing to cut or offset emissions of carbon.
- Comprises the adoption of renewables, afforestation, and carbon credits.
- Example: Tech companies operating data centers on 100% renewable energy.

12.4.3 Consumer Awareness and Demand for Sustainability

- Rising worldwide awareness of climate change, pollution and depletion of natural resources has generated demand for sustainability products.
- Consumers are increasingly partial to brand that shows responsibility for the environment.
- Increasing awareness on social media, at the hands of NGOs and through government campaigns.
- Demand remains robust in areas like fashion, food, cosmetics and automobiles.
- Consumers who care about the environment frequently are ready to shell out extra for green.

12.4.4 Challenges in Implementing Sustainable Marketing

- Higher Cost: Environment-friendly materials, technologies and processes are generally more costly.
- Greenwashing: There are companies that purport to be sustainable, when in reality they're not.
- Consumer Distrust: Few, if any, appraisal and control mechanisms make the consumer skeptical of environmental claims.
- Price Sensitive Market: Small demand for green products due to the price sensitive nature of consumers.
- Supply Chain Problems: Challenges in finding sustainable raw materials and orchestrating an eco-friendly logistics.
- Regulatory Hurdles: Environmental standards can differ from country to country, making global operations difficult.

Knowledge Check 1

Choose the correct option:

1. Green marketing primarily focuses on:
 - a) Increasing sales
 - b) Eco-friendly practices
 - c) Celebrity endorsements
 - d) Price cuts

2. Using recyclable or biodegradable materials for packaging is called:
 - a) Greenwashing
 - b) Carbon trading
 - c) Green packaging
 - d) Eco-branding
3. Which is an example of carbon neutral initiatives?
 - a) Heavy advertising
 - b) Tree plantation
 - c) Price reduction
 - d) Celebrity campaigns
4. The biggest challenge of sustainable marketing in price-sensitive markets is:
 - a) Limited awareness
 - b) High costs
 - c) Lack of products
 - d) Weak branding

12.5 Summary

- ⊖ The consumerism is geared towards safeguarding the right of consumers from abuse.
- ⊖ Fundamental to all consumers are the rights to safety, information, choice, redress education and heard.
- ⊖ Legal protection in favor of buyers granted in India.
- ⊖ Ethical marketing stays clear of bogus commercials and privacy invasions.
- ⊖ Anticompetitive activities, such as below-cost pricing, are detrimental to competition and to consumers.
- ♣ We must be mindful of other cultures, in order not to seem offensive.
- ⊖ Corporate Social Responsibility: Making profits and giving back to society.
- ⊖ CSR practices consist of philanthropy, strategic CSR and cause-related marketing.

⊖ Green marketing helps to sell green products that include eco friendly products, packaging and carbon neutral.

⊖ Sustainable marketing has its own challenges such as high cost, green washing and skepticism from the consumer.

12.6 Key Terms

Consumerism – An advocacy for the rights of consumers.

'Consumer Rights - The minimum statutory rights that protect, inform, choose, provide redress, educate and represent consumers.

False Advertising – Untrue or misleading statements made to sway consumer judgment.

Predatory Pricing – Offering below cost goods in order to force competitors out of business and then raise prices.

Cultural Sensitivity – The consideration of the various traditions, values and beliefs held by international markets in global marketing.

CSR (Corporate Social Responsibility) – The responsibility of a business to have a positive impact on society and the environment.

Green Marketing – Any marketing practice that promotes products and services which are environmentally-friendly, sustainable or recyclable.

Sustainable Consumption – the use of resources to meet basic needs in a way that does not compromise the ability of future generations to meet their own needs.

Greenwashing: Misleading people by giving a false green image of a product or practice.

12.7 Descriptive Questions

Define consumerism? What is its significance in contemporary business?

Explain the concept of consumers rights and why they are important for consumer protection.

What are the ethical issues in marketing? Illustrate with suitable examples.

Bring out the meaning and discuss various models of CSR.

Discuss the advantages of CSR for business and society.

What is green marketing? Explain its extent and methods with relevant examples.

Discuss some of the obstacles that companies face in implementing sustainable marketing.

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Answers to Knowledge Check

Knowledge Check 1

1. b) Eco-friendly practices
2. c) Green packaging
3. b) Tree plantation
4. b) High costs

12.9 Case Study

Introduction

In today's consumer boulevard, society is more focused on their rights, ethical questions and emerging issues such as sustainability. Companies are under intense scrutiny in an era of globalization, digital transparency and growing environmental challenges. Today, companies are required to not just be producing superior products, but also be responsible corporate citizens contributing positively to the society and corporate governance in areas like environment protection and consumer rights.

Ethical marketing, CSR (Corporate Social Responsibility) and being "green" are no longer election issues – they're the foundations on which brands can build long-lasting customer relations. Firms that fail to consider these factors risk boycott, sanction or reputation loss. This paper discusses how these issues were manifest in EcoMart Ltd., a retail chain's venture to impose itself as an ethical brand, and what lessons it provides for reconciling profit with responsibility.

Background

EcoMart Ltd, was founded as a medium sized retail industry with the aim to offer an innovative shopping experience established on a strong foundation of principles and conscience. The company unveiled "green packaging" that uses biodegradable materials, promoted organic and fair-trade products, and promised to shrink its carbon footprint by moving to renewable energy sources at its stores. It also initiated CSR programmes in education and healthcare targeted to poor rural masses.

The brand's early efforts struck a chord with urban, green-leaning consumers. Sales boomed, brand recognition spiked and EcoMart was celebrated by the media as an embodiment of "responsible capitalism." But as the company grew into other markets, a string of ethical and operational problems would erode its image:

- A consumer watchdog accused the company of false advertising, asserting that some of EcoMart's products advertised as "100% organic" were not certified at the required level.
- The complaint generated questions about consumers' privacy, as the company had used purchase data for targeted online advertising without explicit permission.
- Competitors complained that EcoMart was engaging in predatory pricing and undercutting small, independent local shops with steep discounts.
- Specific advertisements in rural markets end up hurting cultural sentiments without really intending too much harm and hence get criticized by local communities.

These challenges made EcoMart's management to step back and reconsider its approach to ethical marketing, CSR and the green approach.

Problem Statement 1: Misleading Advertisements

EcoMart's bold statement that all its products were "100% organic" has been contested by regulators and NGOs. The products were found to be both organic and partially organic and a number of them weren't certified at all. This inconsistency has led to consumer skepticism and media criticism, accusing the company of greenwashing.

Solution: In order to regain credibility, EcoMart should initiate full-disclosure labeling policies, gain third-party certifications from reputable agencies and implement stringent supplier quality audits. As long as claims are precise and demonstrable, they restore trust and protect EcoMart from regulations. It also has to tackle an educational campaign, helping customers understand what certifications mean — and why real organic products might need to come at a higher cost.

MCQ:

What is the most effective way to prevent false advertising?

- a) Use exaggeration for higher sales
- b) Provide certified and transparent information
- c) Disguise as small print product restrictions
- d) Depend only on celebrity endorsements

Answer: b) covering It would be to Provide certified and transparent information

An issue statement 2: privacy and information protection

Larry Jang and Michelle Ye's EcoMart spruced up its digital marketing through customer purchase history-targeted promotions. However, this was not with actual consumer consent, leading alarms about data misuse. At a time of privacy scandals,

as Facebook–Cambridge Analytica, have driven home to consumers the product was actually being users about how their data were being used, where it was be use These recent events made EcoMart's practices detrimental.

irresponsible.

Resolution: The firm has to adopt strong data protection laws, and make it known clearly what sort of data it is collecting from the customers and have an informed consent before using the collected information for marketing purposes. Adherence with laws such as the General Data Protection Regulation (GDPR) in Europe and India's Data Protection Act is a must. 3 Offer consumers opt-in and opt-out options for data collection It boosts trust when you let them choose whether or not to share their information.

MCQ:

What can EcoMart do to fix privacy issues?

- a) Ignore consent for faster targeting
- b) Sell data to third parties
- c) Use clear consent-based policies
- d) Track consumers secretly

Answer: c) Establish clear consent-based policies

Problem 3: CSR and Community Expectations When companies opt to become directly connected by the commercial relationship over time, they create certain expectations of their conduct with shareholders and corporate social responsibility (CSR) acting as one clear driver.

EcoMart spent significant portion on CSR activities towards education and healthcare. Even if these efforts were noble ones, critics contended they didn't make strategic sense relative to the company's lifblood. Consequently the CSR initiatives seemed a disjointed charity rather than efforts to enhance the company's long-term value chain.

Answer: EcoMart needs to re-model towards strategic CSR, shaping its initiatives in line with supply chain and sustainability objectives. For example, this could involve the company backing sustainable farming practices for suppliers, training farmers in organic production or investing in rural infrastructure that underpins its distribution network. Such initiatives would be good for society, and they also would enhance the viability of EcoMart's business model (so that both parties see value).

MCQ:

What is it strategic CSR?

- a) Donating randomly to charities
- b) To sponsor the sports for brand only.
- c) Assistance for farmers to develop sustainable value chain operations
- d) Funding a concert for publicity

Answer: c) Empowering farmers to develop sustainable supply chains

PS4 – Issues in Green Marketing

EcoMart was criticized for the near-luxury prices attached to its environmentally-friendly products, which made it difficult for less affluent consumers. On top of that, accusations of greenwashing — making environmental claims without full verification — further sullied its

reputation. Consumers largely perceived that sustainable products were expensive premium goods, dieting the accessibility of ethical consumption.

SOLUTION To tackle these problems, EcoMart should concentrate on low price green products, invest on innovation to reduce cost and validate the green claims by credible certification. Consumer education -activities The organizations carry out consumer education activities that explore how sustainability pays off in the long run i.e. durable, safety and healthy with cost saving from environmental damages. Collaborating with NGOs, feebate trucks and State run programs to fill the gap investment for green technologies can also make green more affordable.

MCQ:

What is the greatest challenge of green marketing?

- a) Lower costs
- b) High consumer trust
- c) Greenwashing and high prices
- d) Strong regulations

Answer: c) Greenwashing and expense

Conclusion

The case of EcoMart demonstrates the interrelationships between ethical marketing, CSR and green initiatives in influencing consumer trust and sustainable business. No matter what the company's intentions, it fell short in terms of transparency, protecting data, cultural sensitivity and pricing strategies.

The lessons are clear:

- There's no excuse for lack of transparency when it comes to a product claim.
- The focus must be on data privacy and protection to satisfy increasingly demanding consumers.
- Strategic CSR is beneficial for both society and business in the sense that it creates shared value.
- Real green takes accessibility, awareness and certified credentials.

Companies that fail to address these elements can suffer reputational harm and backlash from customers. Conversely, those who incorporate responsible practices at the heart of their overall strategy – like Patagonia with sustainability or Unilever with CSR – can experience sustainable growth, increased brand loyalty and a positive impact on society.

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Unit 13: Emerging Trends in Marketing and Consumer Behaviour

Learning Objectives

1. Understand the role of digital transformation technologies such as AI, big data, and automation in shaping modern marketing strategies.
2. Differentiate between multichannel and omnichannel marketing approaches and design seamless customer experiences across integrated platforms.
3. Analyze the growing impact of influencer and peer-driven marketing in shaping consumer perceptions and purchase decisions.
4. Evaluate cross-cultural consumer behavior and its implications in international marketing, including the need for localization and cultural sensitivity.
5. Explore the future of marketing by identifying trends such as ethical consumerism, sustainability, and emerging technologies like AR/VR and blockchain.
6. Assess the challenges and best practices associated with hyper-targeted, personalized, and data-driven marketing initiatives.
7. Recognize the ethical and strategic dimensions of modern marketing communication, especially in global and digitally enabled consumer environments.

Content

- 13.0 Introductory Caselet
- 13.1 Digital Transformation in Marketing
- 13.2 Omni-channel Marketing
- 13.3 Influencer and Peer-driven Marketing
- 13.4 Cross-Cultural Consumer Behaviour
- 13.5 Future of Marketing and Consumer Behaviour
- 13.6 Summary
- 13.7 Key Terms
- 13.8 Descriptive Questions

13.9 References

13.10 Case Study

13.0 Introductory Caselet

FreshCart a mid-sized Indian grocery retail chain had been a heavy user of print Advertising, bill-boards and in-store promotion for over 13 years. These traditional modes of preserving the loyalty were very appealing to older shoppers in particular, middle aged or above, and those who are used to shopping offline. But the brand quickly ran into a problem: the growth of its customer base stalled, and younger, digital native audiences simply did not have affinity with the brand. With digital-first players like BigBasket, Blinkit and Reliance Smart getting increasingly aggressive, FreshCart knew it had to re-invent itself if it wanted to stay relevant.

In 2022, the company engaged a digital marketing consultancy to drive strategic change. Being digital was not the only thing on agenda, however the intention was to redefine customer experience with personalization, engagement and ease.

They began by releasing an AI-enabled mobile app which used data on past purchases to recommend personalized shopping lists. If the customer was a regular buyer of fresh fruit, for example, the app would automatically present them with seasonal fruit baskets or similar products. To this, big data analytics has contributed significantly as FreshCart intelligently divided the customers by their taste, demographics and location. That enabled the brand to run hyper-targeted campaigns like discounts for trainee professionals, healthy meal kits for fitness fans or themed festival offers for family shoppers.

In order to increase emotional attachment, FreshCart was collaborated with local Instagram food influencers. These influencers posted recipes with a healthy twist using FreshCart products, which in turn helped the brand influence with younger audiences. This approach combined authenticity with trust, as people were more likely to believe someone they knew within their own community and listened to every day. At the same time, the company overhauled its website to facilitate a seamless online-to-offline transition with user-friendly categories and clear product ideas as well as recipes and live stock availability.

A comprehensive omnichannel approach was taken to reach the consumer on their desired channels. Customers could:

- ORDER online and get home delivery for convenience.
- Order online for store pickup or same-day delivery wherever available.
- Preserve classic in-store shopping for people who still wanted to shop offline.

This kind of mix worked with both the digital native base without alienating their older loyalists.

In six short months, the results were astounding:

- Engagement was up 45%, as more customers played with the app and Web site.
- Monthly sales climbed 30 percent, a turnaround from years of flat growth.
- As FreshCart expanded into welcoming multicultural metro cities, lessons about the nuances between cultures to make and maintain customers' trust came quickly. For instance, in South India, customers showed a preference for spice blends and rice varieties and Western Indian consumers preferred packaged snacks and dairy products.

The transition wasn't just to the digital world — it was also all about being deeply consumer-centric. Into The Groove By keeping a close eye on what the customer wants, optimising its use of technology, and tapping social influence – FreshCart re-imagined itself and became relevant again in today's world.

Critical Thinking Question

How does the combination of AI, influencer marketing and omnichannel help build a competitive advantage for traditional businesses in digital transformed consumer universe?

- With AI, businesses can personalize recommendations and predict demand, keep inventory in check while Sony toots the horn of brand loyalty through relevance and convenience.
- Influencer marketing fosters trust and authenticity, particularly among younger generations who prefer peer-to-peer suggestions and relatable voices over generic ads.
- An omnichannel speaks efficiency and convenience, meeting customers where they shop (online check-out, offline counter or hybrid cart) and taking friction out of the buying process.

Combined, these are the tools that give legacy businesses the agility, customer-focus and competitive edge they need to compete in a digital-first world.

13.1 Digital Transformation in Marketing

The advent of digital has transformed the way organisations work and communicate with customers. For marketing, it resembles the change from olden times, intuition-based methods to contemporary data-based, technology-aided strategies. Gone are the days when marketers only had the local newspaper or instinct to rely on, and instead they're now using big data, artificial intelligence (AI), cloud solutions and digital systems to engage with customers in real-time.

In today's consumer world, technology isn't a back office—it is fundamental to creating personalised experiences and driving engagement and satisfaction. From targeted ads on Instagram to AI-powered product recommendations on Amazon, digital transformation has

made sure that marketing isn't just about getting in front of people but also getting the right message in front of the right person at the right time.

The Technological Pillars of Modern Marketing

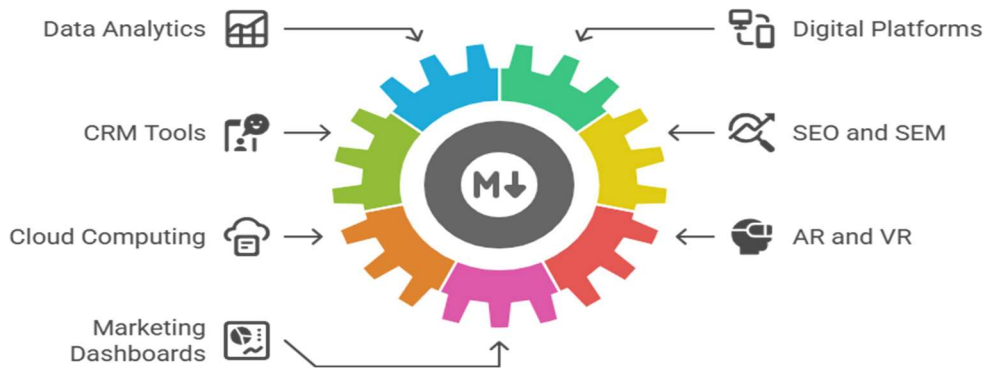


Figure 13.1

13.1.1 Role of Technology in Modern Marketing

Tech has transformed how marketers approach, target, and serve consumers, making marketing more measurable, personalized and efficient. Its function explained with examples:

Data Analytics

- What it does: Data analytics allows marketers to parse through vast troves of consumer information — previous purchases, sites visited and preferences — in order to forecast what consumers might do next.
- Why it matters: It permits the focusing of attacks rather than broad, generic campaigns.
- Example: Netflix tracks users' viewing data and suggests films and shows that would fit each user, keeping the level of engagement high. Amazon also recommends products based on browsing and buying history.

Digital Platforms

- What it is: Platforms such as social media, websites and mobile apps are key consumer touchpoints. They allow brands to build awareness, connect with audiences and facilitate sales.
- Why it matters: Consumers are spending so much time online that a presence across digital platforms is key to visibility, engagement and sales.

- Example: Nike, whose mobile app sells products but also helps customers find training plans, athlete stories and fitness communities, increasing participation.

Customer Relationship Management (CRM) Tools

- What it does: CRM systems (such as Salesforce, HubSpot or Zoho) track every contact with a customer — purchases, inquiries, complaints, preferences.
- Why it matters: Helps businesses develop long-term relationships and personalize interactions.
- Example: Starbucks Rewards Program is integrated with CRM too, and it follows customer preferences closely; therefore you receive an email telling you that this week gets 50% off in your favourite latte.

You May Want to Know about SEO and SEM

- What it does: SEO raises a website's organic search engine ranking; SEM uses paid advertising to get into search results.
- Why it matters: Increases discoverability so that consumers find your brand when they look for solutions.
- Example: Zomato spends a lot on SEO to show up when people search "restaurants near me." Similarly, Flipkart also leverages SEM (Google Ads) to market sales events.

Cloud Computing

- What it does: Offers users cloud-based storage and computing resources focusing on marketing teams to work collaboratively under large-scale regional settings.
- Why it matters: Enables adaptable, on-demand access to data and tools regardless of location.
- For example, global marketing teams at Unilever can use cloud-based tools to pull up campaign data and work together regardless of which continent they're on.

Augmented and Virtual Reality (AR/VR)

- What it is: Experiential marketing that enables consumers to interact with products virtually.
- Why it matters: Drives high brand recall and purchase intention through immersion and memorability.
- Example: IKEA Place app shows customers how furniture might look in their home with AR. Similarly, L'Oréal's AR try-on lets customers virtually try out make up before purchase.

Marketing Dashboards

- What it is: Dashboards that offer real-time aggregation of campaign metrics (clicks, conversions, ROI, engagement rates).
- Why it matters: Managers can use it to measure performance and make fast changes.
- Example: Google Analytics dashboards allow e-commerce companies to instantly track traffic, conversion funnels and consumer behavior trends.

13.1.2 Artificial Intelligence (AI) in Consumer Interaction

Artificial intelligence (AI) is a driving force in today's marketing world, radically changing how companies interact with consumers. AI facilitates high engagement and customer satisfaction in various touchpoints through speed, personalization, and real-time decisioning.

Chatbots

- What it is: AI-driven chatbots that offer 24/7 support, answer customers' (and potential customers') frequently asked questions, recommend products and even make sales.
- Why it matters: Shortens the lines, makes customers happier and reduces customer service costs.
- Example:
 - o HDFC's Bank Eva chatbot receives millions of banking queries and answers them instantly.
 - o Sephora's Facebook Messenger chatbot helps customers find beauty products and tutorials.

Recommendation Engines

- What it does: Recommends products or content with the help of an algorithm that builds on past browsing history, purchases and user preferences.
- Why it matters: Personalizing leads to higher sales, cross-selling and user engagement.
- Example:
 - o Amazon generates over 35% sales to such AI powered recommendations like "Customers who bought this also bought...".
 - o Movies which Netflix suggests serve individual taste are proven to stay longer and entertain more.

Voice Assistants

- What it is: Virtual assistants such as Siri, Alexa and Google Assistant assist people with performing voice search

to locate products, receive info., or submit orders.

- Why it matters: Voice search is quick and convenient — and surging with popularity, thanks to smart homes and mobile devices.

- Example:

- o When you run out of detergent, just tell Alexa to “order detergent,” and it makes a repeat purchase through Amazon.

- o Domino’s Pizza lets you order food via voice assistants for an easy-breezy service.

AI Copywriting Tools

- What it is: Software that writes product descriptions, ad copy, emails and readymade content via natural language generation.

- Why it matters: Saves time, cuts cost, and maintains consistency between campaigns.

- Example:

- o (eBay recently started deploying artificially intelligent copywriting tools that can automatically produce product descriptions for millions of listings.)

- o Coca-Cola has tested out AI to write ad copy and brainstorm campaign ideas to spur human creativity.

Sentiment Analysis

- What it is: AI that reads social media posts and reviews, and examines feedback to determine how a consumer feels — positive or negative or if they’re indifferent.

- Why it matters: Enables marketers to know brand perception and alter messaging on the fly.

- Example:

- o Nike uses sentiment analysis to evaluate how customers are feeling about new product launches and then tweaking its campaigns.

- o Airlines such as Delta use Twitter feeds to act on customer complaints with both empathy and alacrity.

Dynamic Pricing

- What it is: AI algorithms that update prices on the fly according to demand, competition, location and customer profile.

- Why it matters: Maximizing revenue, while also remaining competitive and popular with consumers.

- Example:

- o Uber's surge pricing dynamically up-scales fares in response to demand/supply changes.

- o Amazon's pricing of products changes several times a day in line with demand and competitive prices.

Facial Recognition

- What it does: In a retailing setting, AI-fueled facial recognition constantly monitors customers' emotions, reactions and actions as they shop.

- Why it matters: Offers a window onto how consumers interact with displays, products and store configurations to support personalized experiences.

- Example:

- o Alibaba's smile to pay system which uses facial recognition, enables Chinese consumers make payment.

- o In Japan, facial recognition in some retail takes snapshots of customers' emotions in front of product displays to improve merchandising approaches.

Did You Know?

"Artificial Intelligence now powers over **80% of customer interactions** on e-commerce platforms, including product recommendations, chat support, and personalized advertising. AI chatbots can resolve up to **70% of routine queries** without human intervention, reducing wait time and improving customer satisfaction. Brands like Sephora, H&M, and Starbucks use AI not just for efficiency, but to **create emotionally responsive interactions** by analyzing customer tone and preferences in real time. This evolution from reactive to predictive engagement is redefining how businesses build lasting consumer relationships."

13.1.3 Big Data and Predictive Analytics

In the digital-first world of today, consumers generate enormous amounts of data every time they browse the web, use social media services, shop online or even walk into a store with smartphones. This large and complex collection of data points is known as Big Data. For marketers, big data isn't just a matter of having lots and lots and LOTS OF information – it's about what you do with that information to find out how the end user is thinking (and

therefore acting), and using that insight to make your business smarter, faster, more targeted for them.

And predictive analytics, supported by the capabilities of AI and machine learning (ML), takes it one step beyond. It relies on historical information, current inputs and algorithms to predict what the customers are likely to do next — what they will buy, how they will react to a campaign or if they might leave for a competitor. Big Data and predictive analytics have together led to a change in marketing from reactive decision making to proactive, right time strategy implementation.

Big Data Sources in Marketing

To create a complete silhouette of the consumer, marketers are gathering and analyzing information from various sources:

- **Social Media Engagement:** Likes, shares and comments can give you a good understanding of what your customers are interested in and how they perceive your brand.

- o Example: Coca-Cola listens to social conversations to uncover regional preferences and develop more relevant campaigns.

- **Browsing Mining:** Access to search history and visit brings out interest / intent.

- o Example: Amazon recommends “Recently Viewed” or “Inspired by Your Browsing History” products.

Browsing” products.

- **History of Purchases:** What a customer has bought before can tell you what they like, how often and how regularly they buy.

- o Example: Starbucks Rewards app suggests new drinks based on what customers have ordered in the past.

- **Location Data:** Aids marketers in learning where customers shop and in reaching them with localized offers.

- o Example: Domino’s Pizza uses and sends push notification while a user approaches their nearby store location with discount coupon.

Predictive Analytics Tools and Applications

Forecasting Consumer Behaviour and Trends

- o Predictive applications that identify historical purchase behavior in order to predict the future.

- o Example: Netflix predicts which shows a user is likely to watch next, and maintains engagement.

Anticipating Customer Needs

- o Brands have the ability to suggest products, before it is even searched for.
- o Example: Amazon's anticipatory shipping system forecasts demand and relocates merchandise near the destinations of expected orders.

Customer Segmentation and Micro-Targeting

- o Big Data allows segmentation not only by age, income but also lifestyle, intent and behaviour patterns.
- o Example: Spotify divides users into micro-segments (Workout playlists, study music and mood playlists) for super-personalized campaigns!

Campaign Optimization

- o Predictive analytics assists in understanding which channels (social, email, mobile) and messages will perform best.
- o Example: AirBnB uses predictive analytics to adjust price, email campaigns and seasonal promotion to maximize room bookings.

Inventory and Demand Planning

- o Data anticipates which products will be hot, enabling companies to carefully manage their supply chains.
- o Example: Walmart analyses real-time weather and sales data to ensure products such as umbrellas, water, or even Pop-Tarts are available at the start of a storm.

Fraud Detection and Risk Management

- o Predictive analysis can identify payment systems, ad performance, or customer accounts anomalies.
- o For example, PayPal applies Big Data algorithms to detect dubious activities, and avert fraudulent transactions in real time.

Key Benefits for Marketers

- Smarter Decisions: You make decisions based on evidence and predictive power, not guesswork.
- Personalization: Messages and offers are personalized to each individual, resulting in increased response rates.
- Efficiency: Investment concentrated in the highest-converting channels and customer groups.

- Customer Loyalty: Being predictive means you can understand people, and that builds trust over time.

13.1.4 Personalization and Hyper-Targeted Marketing

In our digitally driven world, consumers are bombarded with ads and marketing messages. To distinguish themselves, businesses can't just rely on generic, one-size-fits-all campaigns. Instead, they need to concentrate on

one-to-one communication—reaching an individual consumer with messages, offers and experiences specifically relevant to their specific interests, preferences and behaviour.

Customization has graduated from the bland of offering someone their name on an email to advanced, precise plans fuelled by AI, big data and predictive analytics. Customers today demand that brands “know them”—know their previous activity, anticipate what they'll need next and address them with content and offers that are not only appropriate, but also timely and valuable. This is not just enriching engagement but nurturing loyalty, trust and long-sustained relationship.

Applications of Personalization in Marketing

Email Personalization

- What it is: Personalizes email subject lines, recommendations and timing based on how users interact with companies.
- Why it matters: Personalized emails outperform generic campaigns in both open and click-through rates.
- Example:
 - o Amazon recommends products to users through tailored emails they receive if certain criteria such as browsing and purchase history is met.
 - o Netflix personalizes its emails to recommend shows akin to what users have recently watched.

Behavioral Targeting

- What it does: Takes into account searches, page visits and cart activity to show ads matched with consumer interests.
- Why it matters: Limits the reach of ads to people who've already shown intent, thereby making it more relevant.
- Example:
 - o A user who looks up “running shoes” on Nike's website sees ads for Nike or Adidas shoes when that person later browses other sites.

o MakeMyTrip shows deals for hotels or flights that were searched by each user based on their search history.

Hyper-Targeted Ads

- What it does: Leverages micro-segmentation (small, targeted audience groups) and location data to craft highly tailored messages.

- Why it matters: Hit niche audiences that saw the content as personally relevant.

- Example:

o Zomato delivers geo-targeting push notifications: “Hungry? Order from the pizza place everyone loves

near you.”

o Spotify sends hyper-specialized tracks to users based on their listening habits (e.g., workout playlist listeners see fitness ads).

Dynamic Website Content

- What it is: Adapts website content in real time based on who is looking.

- Why it matters: Makes customers feel the site is personal and custom-made for them.

- Example:

o E-commerce platforms like Flipkart display dynamic home page banners tailored as per the user browsing (electronics for gadget lovers, clothing’s for fashion shoppers).

o LinkedIn optimizes content feeds and job recommendations for each individual user in real time.

Retargeting Campaigns

- What it is: Notifies users about items they’ve looked at before, or that they left in an abandoned cart.

- Why it matters: Recaptures potential buyers who were interested but didn’t buy.

- Example:

o Myntra shows ads with clothes abandoned in the shopper’s cart, sometimes with a discount offered for purchase.

o Booking.com delivers reminders on hotels previously viewed, emphasizing limited availability to incite urgency.

Predictive Personalization

- What it is: Uses A.I. to predict what customers want before they do anything.

- Why it matters: Provides proactive, value-added experiences that lead to happy customers.
- Example:

o Amazon's "anticipatory shipping" model, which anticipates which items will be ordered and ships them closer to the customer in anticipation.

o Starbucks app that recommends drinks he might like based on time of day, weather, or previous purchase history.

Benefits of Personalization and Hyper-Targeting

- Drives Engagement: Content that is personal easily attracts responses by consumers.
- Create loyalty: Custom-tailored experiences make customers feel valued, leading to long-term trust.
- Increases Conversions: Effective offers drive quicker converting decisions.
- Improves ROI: Marketing Spend can be used more effectively by targeting the right audiences.

13.1.5 Automation Tools in Digital Campaigns

Manual processes cannot handle the fast-paced world of digital marketing--especially when running campaigns cross-channel, and at scale. Consumers want communication that is timely, tailored and consistent and companies need to act swiftly in response to changes in consumer behavior. This is where marketing automation solutions play their part.

What Is Marketing Automation? Marketing automation is the practice of using technology platforms and software to automate repetitive marketing tasks, streamline workflow processes, and provide personalized content at scale. By doing so, it not only saves time and manual labor but ensures that campaigns are run more consistently and efficiently. Whether it's sending automated welcome email to following customer journey across channels, automation allows businesses to concentrate on strategy and leave the execution to technology.

Automation Tools in Digital Campaigns



Figure 13.2

Email Automation

- What it is: A way to schedule and/or automate the delivery of scheduled or triggered emails (including welcome sequences, abandoned cart reminders or re-engagement campaigns).
- Why it matters: Delivers immediate, customized outreach without any manual steps.
- Examples:

o Mailchimp and HubSpot also enable companies to create drip-based campaigns, where messages are automatically triggered following a user action (e.g. brochure download).

o They have pre-set follow-up emails in place to remind customers about the abandoned cart and also schedule these reminders to be send right after leaving the checkout.

Social Media Scheduling

- What it is: A platform that allows you to schedule and publish social media content across different platforms, as well as monitor performance metrics.
- Why it matters: Saves time, keeps the brand at a steady presence and makes sure posts go live during times with high engagement.
- Examples:

o Brands, such as Nike, can schedule campaigns all over the world and seamlessly track engagement in real-time through platforms like Hootsuite and Buffer.

o Through the use of scheduling tools, Zomato posts clever, timely posts that keep their followers engaged on a daily basis.

CRM Integration

- Why we like it: Blends marketing automation and CRM

lead, follow-up and cross-channel interaction tracking systems.

- Why it matters: Generates a unified customer profile for superior relationship management.

- Examples:

- o Salesforce CRM also connects to marketing systems so that the sales team knows the places where potential customer leads originated.

- o Starbucks Rewards App leverages CRM data to deliver personal offers automatically to its loyal customers.

Lead Scoring

What it is: Gives scores to prospects based on their behaviour (visits, clicks, downloads, time spent on site).

- Why it matters: Prioritizes potential leads most likely to convert, helping sales teams operate more efficiently.

- Examples:

- o Lead scoring automatic is provided by both HubSpot and Marketo. For example, a user who has downloaded many whitepapers gets a higher score – high purchase intent.

- o B2B organizations (such as LinkedIn Marketing Solutions) score leads to help sales better hone in on

“hot leads.”

Analytics Automation

- What it is: A platform that condenses campaign data across platforms into real-time dashboards.

- Why it matters: Allows for fast decision-making by presenting campaign performance without having to manually report on it.

- Examples:

- o Google Analytics dashboards follow website traffic, conversions automatically and campaign

performance.

- o Manager has a realtime view of ROI on marketing engagements via Tableau/Power BI which is integrated with the marketing platforms.

Workflow Automation

- What it is: A tool to program repetitive tasks according to user behavior (such as sending a welcome email, reminders or discounts).
- Why it matters: Provides a seamless and personalized customer journey.
- Examples:
 - o Resell: E-commerce platforms such as Myntra also do immediate cart abandonment by automatically sending discount codes to customers who abandon carts.
 - o Edtech platforms such as Colleges.umass.edu use workflow to send students reminders of their progress, suggest new offerings and update certificates.

Benefits of Marketing Automation

- Efficiency: Takes busy work off marketers' plates, allowing them to concentrate on strategy.
- One-to-One: Ability to personalize and make all messaging one to one, even with large databases.
- Consistent Branding: Ensures a strong and consistent brand presence across all marketing channels.
- Data-Driven: Real-time analytics for intelligent decision making.
- Workload Alleviation: Automates processes to decrease manual input, time and cost.

13.2 Omni-channel Marketing

In today's hyper connected digi-world, the average consumer doesn't engage with a brand on just one channel. One purchase decision could have many touchpoints — researching a product on Google, reading reviews on mobile, visiting a store to try it and buying via an app. Businesses, in turn, are responding to this evolving consumer behaviour by adopting omni-channel marketing, a strategy that aims for a unified experience across online and offline channels.

Omni-channel marketing is more than just being available everywhere though—it's that every channel works in tandem with one another, to offer a unified tone of voice from the brand, personalised interactions and seamless customer journeys. Omni-channel marketing differs from traditional models, in which customers could shop only by visiting a store or shopping online.

13.2.1 Concept and Evolution of Omni-channel Marketing

Omni-channel marketing is the process of providing a consistent and unified customer experience across all channels — stores, web, mobile apps, social media, email, even

customer service. The idea is to enable shoppers to transition across channels with minimal or no resistance providing continuity in their shopping experience.

- Example: A customer who browses sneakers on Nike's website can add a pair to her cart, check it out later in the mobile app and buy the shoes in person at a Nike store, where the sales associate would be able to see that she had looked them up online.

Evolution

Single-Channel

- o One channel: Businesses were dependent on one channel – mainly physical retail.
- o Customer engagement took place at a minimum and there was no online connectivity.
- o Example: Tiny local grocery stores having presence only in the offline domain.

Multi-Channel

- o Brands expanded with multiple platforms such as websites, apps and stores but they worked in silos.

independently.

- o The customer experience was disjointed due to the separation of data.
- o Example: A retailer sells fashion apparel through retail stores and on the web, but not both and a discount is offered online wouldn't apply in-store.

Omni-Channel

- o All channels are coherent, sharing data and delivering a consistent experience.
- o The end user is able to shift between online and offline experiences with no loss of progress or personalization.
- o Example: Starbucks Rewards Program combines the mobile app, the website, and in-store purchasing. On the app, customers can load money and earn points online and redeem rewards in store.

Key Features

Unified Messaging and Branding

- o Evoking the same-language – logos, tone of voice, offers and values are consistent across channels.
- o Example: Apple uses the same branding and design for its website, app, physical stores and ads.

Channel Switching without Disruption

- o Patrons can begin their experience on one platform and finish on another with no loss of data.
- o Example: Amazon customers can put an item in their cart from their laptop, later view it on a mobile app and purchase through Alexa voice assistant.

Integrating Data for Customer Journey Mapping

- o 360 degree view of the customer—the systems gather data, compile and utilize it via all channels.
- o Example: Sephora synchronizes in-store purchases to its app, so that the customers see their personalized recommendations and loyalty balance adjusted immediately.

Customer Behaviour in Omni-channel Context

- Research Online, Buy Offline (ROBO): Shoppers are known to read reviews or check prices online before purchasing an item in a real-world store.
- o Example: Retail chain Croma has discovered customers researching laptops on the Web before purchasing in a store.
- Mobile-Assisted Shopping: Shoppers use their mobiles to compare prices, read reviews and locate deals while shopping in the store.
- o Example: Shoppers at Reliance Digital look at specifications in their phone before buying.
- Cross-Path Journeys: Consumers could find a product on Instagram, check availability with a website and buy it via a marketplace such as Amazon.
- o Example: A fashion buyer views a dress on H&M ad in Instagram, searches the collection on the website, and then experiences in-store before purchasing.

13.2.2 Differences Between Multichannel and Omnichannel Strategies

Although they are often used interchangeably, multi-channel and omnichannel strategies vary widely in how they work and in the experiences that customers receive.

Example:

- In a multi-channel arrangement, for example, a retailer could present parallel promotions online and in-store that are not connected. One customer might see a discount on the website but not receive it in the physical store.
- In an omni-channel experience like the one that Starbucks provides, a customer will have the ability to put money onto their mobile app, through online or in-store purchase can earn rewards and is able to redeem those rewards credit throughout all touchpoints.

Omnichannel, thus, drives connectedness and consistency; multisale does presence only.

13.2.3 Creating Seamless Customer Experience Across Channels

At its heart, omnichannel marketing is about creating frictionless experiences for consumers at the brand. Consumers should get the same brand experience whether they are buying online, offline, or mobile.

Consistent Branding

- o Visual identity, messaging and tone should be consistent across all touchpoints.
- o Example: Apple sticks to white and simple design in its web presence, stores and within their apps.

Unified Data Systems

- o Unified CRM and marketing systems enable customer data to transit across functions.
- o For example, Amazon incorporates browsing history, purchasing decision and wish lists across devices to provide an integrated experience.

Real-Time Synchronization

- o Inventory levels, prices and preferences for customers must be available in other systems immediately.
- o Walmart allows customers to check product availability at a store near them.

Cross-Channel Support

- o Clients of the bank should experience seamless transition effect when getting on one channel and getting off in another.
- o Example: Nike provides the opportunity for people to personalize shoes online and then visit the store to collect them.

Personalized Interactions

- o Behaviour, location and purchasing history data is employed to make custom offers.
- o Example: Zomato pushes customized alerts, depending upon what user has ordered in the past and where they are currently.

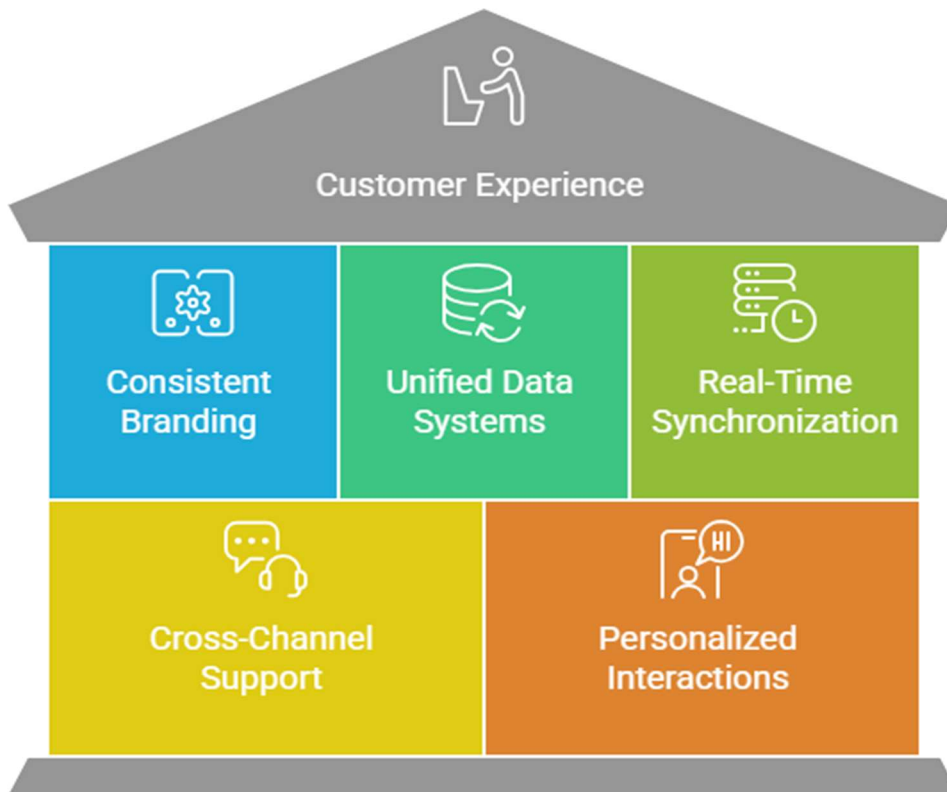



Figure 13.3

Illustrative Example:

A customer gets an email about a new skincare product, adds it to their in-app cart and later opts for in-store pick up. At any point at  i, it knows they are the same customer overlapping steps— ensuring seamlessness and convenience.

13.2.4 Integration of Online and Offline Marketing Channels

Real omnichannel marketing demands a fusion of digital ease with the Power of Bricks & Mortar to present a single face from the brand to its customers.

Tech-Enabled In-Store Experiences

- o Digital innovations enhance physical shopping.
- o Example: o IKEA leverages AR apps for furniture viewing and instore lounges adorned with digital displays.

Click-And-Collect Models (Buy Online Pick Up In the Store -BOPIS)

- o Brings the convenience of internet ordering, together with collection in minutes.

- o Instances: Reliance Digital, where product can be ordered online and collected in-the-store on the same day.

Geo-Targeted Promotions

- o Location-based advertising ensures relevance.
- o Example: Domino's e-mailing geo-targeted coupons when people are close to a store.

Offline Data Feeding Online Strategy

- o Offers in digital are informed by loyalty programs and instore offers.
- o Example: Starbucks leverages in-store purchase data to suggest drinks on its app.

Omnichannel Loyalty Programs

- o They can earn rewards and redeem them at all the touchpoints.
- o Example: Sephoras Beauty Insider applies both online and in-store shopping experiences.

Customer Service Integration

- o Agents get online and offline history.
- o When it's done right, like with Amazon fusing chat, phone and email support to prevent you repeating your information.

Thanks to the blending of digital with physical, customers perceive these brands as a single entity.

13.2.5 Challenges and Best Practices

Adopting omnichannel marketing offers great potential as well as challenges that need deliberate planning.

Challenges

Data Silos

- o Data sit in separate departments, making it difficult to have a consolidated view of the customer.
- o Example: A bank which has two databases for credit card and loan segments does not perceive the customer as a unified entity.

Technology Integration

- o Synch Legacy systems do not support synchronization.
- o Example: It can be difficult for legacy retail stores to integrate old point of sale (POS) systems with new e-commerce platforms.

Cost and Resources

- o Is an investment in technology, training, and process.

Measuring ROI

- o Measuring the effectiveness of campaign effort across multiple touchpoints is difficult.

Maintaining Consistency

- o Cross-platform teams can cannibalize their messaging.

Best Practices

Leverage Cloud-Based CRMs and Data Platforms

- o From Salesforce to HubSpot, tools are collaborating in real-time.

Cross-Functional Collaboration

- o Customer journeys are collective responsibility of marketing, sales & operations team.

Unified Brand Guidelines

- o A unified content and brand style guide provides consistent messaging.

Regular Training

- o Educate employees on using omnichannel processes and customer interaction standards.

Customer Journey Mapping

- o The end-to-end journey mapping allows friction points to be identified and removed.
- o For example, a retailer may identify drop off points when customers switch from app to website checkout and attempt to rectify it.

Did You Know?

“According to a Harvard Business Review study, **73% of consumers** use multiple channels during their shopping journey. Brands with strong omni-channel engagement see **89% higher customer retention** compared to those with weak strategies. Major retailers like **Nike and Sephora** have adopted integrated apps, loyalty programs, and in-store technologies to deliver seamless shopping. The power of omni-channel lies in its ability to make consumers feel **recognized and valued** at every touchpoint.”

13.3 Influencer and Peer-driven Marketing

13.3 Influencer and Peer-driven Marketing

Social media influencers have emerged as intermediaries between brands and consumers, influencing attitudes, behaviours and purchase choices. Unlike the typical celebrities, an influencer is more human and down to earth making him or her even able of being trusted by his or her followers. Studies show almost half of consumers depend on influencer recommendations when making a purchase, indicating the profound influence influencers have over consumer behaviour. This confidence is built on the perception of expertise that an influencer possesses.

reliable content delivery, and potential to connect advertisers with audiences who used to hold a dubious attitude toward brand advertising.

Influencers do content marketing by creating reels, tutorials, product reviews and lifestyle contents that appeals to their target market. Their content gets a lot of social engagement – likes, shares, comments and saves so that they become even more visible and credible than traditional ads. What's more, influencers develop emotional connections with the people who follow them. Consumers often feel like they have a personal connection to influencers, creating brand loyalty and driving higher advertising ROI. When an influencer endorses or showcases a product, it leads to social proof, telling followers that by using the same thing, they too can have access to a trusted community.

Influencer impact is also felt in the realm of product discovery. They are normally the most exposed to new products or brands, particularly in sectors like fashion, technology, beauty and lifestyle. Unboxing videos — and first-impression reviews more broadly — stoke curiosity, and even a little urgency, or FOMO (fear of missing out). Influencers also drive direct purchases, not just discovery. These are often through discount codes, affiliate links or time sensitive specials which provide certain incentives to convert. Things like Instagram's "Swipe Up" or embedded product links on YouTube also make for frictionless shopping experiences, removing the barriers between awareness and action.

Various niche influencers are best served by different platforms. Instagram and TikTok lead the fashion, beauty, and lifestyle industries by storm, with B2B opinions being shaped by LinkedIn FOMO. YouTube is still best for long-form content, tutorials and reviews. Over these channels, personalities not only impact awareness but consideration, intent and action across a consumer journey, fragmenting media like never before and becoming an integral component of advertising's post-modern ecosystem.

13.3.2 Types of Influencers (Nano, Micro, Macro, Celebrity)

There are broad distinctions in categories of influencers like follower size, engagement rate or the nature of content they make. Each type has differences, strengths and weaknesses and it's up to brands to find the balance that works for them based on campaign goals, audience and budget.

Nano influencers, who have 1,000 to 10,000 followers, often reach a very niche or local audience. They all have a very personal and raw content approach that deeply resonates with their audience base. Given this tight relationship they tend to have with followers, they often also achieve engagement rates 4-8 times higher than larger influencers. Nano influencers are a cost-effective option for small businesses and neighborhood campaigns. But the message's narrow reach _ and occasionally amateur product quality _ can limit the scale of campaigns.

Micro influencers: As people having the followers between 10,000 to 100,000, micro influencers are often considered experts or enthusiasts in relation to their domains (fitness, fashion, gaming or technology). They are relatable and yet scalable, delivering a better ROI than macro or celebrity influencers. They have highly engaged, loyal audiences who may even not be sufficiently bandwidth-enabled to collaborate much.

Macro influencers (100,000 to 1 million followers) reach beyond niche communities and often curate their content on a professional level. They come with big reach, varied audiences and well produced content that has higher production quality. But these collaborations are costly and the rates of engagement tend to fall compared with nano or micro influencers.

Celebrity-level influencers, having over a million followers, should be household names; actors, athletes or musicians. They deliver tremendous exposure and are well suited for mass product or campaign launches. But they aren't well received, because they're seen as transactional, with little of the trust and relatability that should come with them. And collaborating with stars is prohibitively expensive.

This makes the range of different types of influencers go from super close and real engagement with nano influencers to wide reach and visibility amongst celebrities. The correct answer depends on a brand's own focus on reach, engagement or credibility in its campaign.

13.3.3 Peer-to-Peer Recommendations and User-Generated Content

Words of mouth and consumer-generated social content are serious trust builders online. Today's consumers rely on their peers, not traditional advertising. According to research, more than 90% of consumers trust peer recommendations over advertisements or other marketing elements, which means word-of-mouth is still the most important factor in customer decisions. In the digital world, this has morphed to user-generated photos, videos, reviews and testimonials that are credible product endorsements.

For many brands, UGC is the cornerstone of their marketing strategy because it's considered authentic and unbiased. For example, GoPro has built its brand around customers taking videos on adventures and Starbucks often shares customer photos of coffee moments through campaigns like #RedCupContest. Not only does it drive engagement, but it's also far cheaper to create content for brands. More importantly, it builds community whereby customers are intertwined in the brand story.

There are different kinds of peer influence in digital ecosystems. "Customers rely heavily on online reviews, whether it's from Amazon or TripAdvisor. communities like Reddit and Quora offer places

for detailed product evaluations. Categories in Google Reviews or the app stores do have an effect on a customer's trust in apps and services. 'Referral' Programs in the tradition of Dropbox, Uber and others engage customers to share products with friends facilitating exponential organic growth.

These strategies are based on like, the social proof is evident. People are more likely to try a product if they see others endorsing it or using it. UGC is so valuable not only in terms of the awareness it can generate, but also in its ability to drive conversions on e-commerce sites where customer reviews and photos (often user generated) are often built right into the purchase path. By turning customers into brand advocates, companies generate exponential organic reach and trust-led engagement.

13.3.4 Trust, Authenticity, and Brand Loyalty

Trust and authenticity are at the core of successful influencer and peer-driven strategies. People follow influencers because they see them as authentic, transparent and in line with values that appeal to them. Trust is a currency in the world of influencer marketing in which well-branded partners can make an impression onto new markets and develop faster than traditional advertising.

And when it comes to stories, being genuine is especially crucial. Endorsements resonate more with audiences when influencers' use of a product is authentic and they share personal experiences. More scripted, or paid ones, are less effective because people are aware and somewhat averse to inauthentic advertising. That is why the brand-influencer fit is everything. If a fitness influencer is connected to junk food, or a sustainability warrior endorses fast fashion, the dissonance harms both the influencer's and brand's credibility.

Trust and integrity also have lasting effects on brand loyalty. Consistently engaging with influencers over time acquaints consumers with the brand, so over a period of time stronger associations are formed. According to Al-Safi, long-term collaborations rather than one-and-done partnerships are a stronger indicator of commitment and consistency, which in turn allow for more meaningful relationships with the consumer. Some of the signs that determine trust for influencer marketing are high engagement rates, organic mentions, and transparency on affiliate links or sponsorship disclosures.

In today's world, consumers want more than just products – they look for experiences and a connection to what they already believe. And in a world where trust is more important than ever, authenticity is no longer something we can choose to have or not, but it's essential if you want to grow (and keep) your business.

13.3.5 Ethical Concerns in Influencer Marketing

While influencer marketing continues to grow, it also regularly raises more and more ethical issues that have to be sorted out between brands and influencers. Among the top concerns is the lack of disclosure for paid promos. Influencers who don't disclose that content is sponsored lie to their followers by pretending the endorsement came organically. For example, to address this issue, there are now regulations from bodies like The Advertising Standards Council of India (ASCI) and the Federal Trade Commission (FTC) in the US that require you to put such disclosures in a clear manner with hashtags such as #ad or #sponsored.

One more fear out there is the rampant “fake followers and phony engagement. In some cases, influencers artificially pump up their metrics by buying followers or deploying bots, causing brands to spend on partnerships that don't actually provide a real return on investment. Deceptive claims have the same impact, especially in areas such as health and beauty or finance. Consumer injury can result from excessive promises, which necessitates accountability.

There is also the problem of disclaiming responsibility when collaborations go bad. Occasionally, influencers have been known to separate themselves from brands in the aftermath of controversies, leaving businesses to deal with negative reverberations solo. ETHICAL ETHICS are also faced when it comes to cultural sensitivity and representation. Those that latch onto stereotypes, have unrealistic beauty standards or create offensive content can backfire and tarnish the brand.

Lastly, influencer culture has its own tendency of putting undue pressure on creators. The pressure to appear perfect may cause stress and burn-out or create idealized or contrived content, prompting discussions about the mental health impact of industry's lifestyles.

Brands need to establish clear ethical guidelines, work more openly with influencers and put consumer safety ahead of getting a viral hit. 4) The influence and credibility it commands go with responsibility: Nobody will say about the room for manipulation that ‘the standards need to evolve’ because, ultimately, good influencer marketing is truthful.

13.4 Cross-Cultural Consumer Behaviour

13.3.2 Types of Influencers (Nano, Micro, Macro, Celebrity)

Cross-cultural consumer behavior is the study of the attitudes, beliefs, values etc. of consumers from different groups to how they think and feel about consumption, symbols in the marketplace, marketing, products As multinational brands grow, the need for cultural-specific awareness in order to be effective marketers is certainly more important than ever.

- Definition:

- o Consume action which influenced by the values, belief language, habit and social behavior of a culture.

- o Includes consumers thoughts of products, advertising and brands.

- Importance in Global Marketing:
 - o No communication, packaging or branding faux-pas in terms of culture.
 - o Oversees the localization of product and message for local markets.
 - o Increases consumer loyalty, engagement and brand trust.
 - o Assists companies in scaling new markets with sensitivity.
- Real-World Relevance:
 - o McDonald's in fact has vegetarian menus in India.
 - o Wicked Dog adjusts flavors and packaging colors for Asian and African regions.
 - o In ads, appeals to our feelings are different: individualism in the West vs.net/collectivism in Eastern cultures.
- Globalization and Consumer Behavior:
 - o Even with the proliferation of international brands, local tastes tend to dictate purchasing behaviour.
 - o Marketers need to localise at scale.

Cross-Cultural Behavior Understanding Cross-cultural behavior understanding offers businesses the ability to position themselves effectively, target their messages and engage global consumers ethically.

13.4.2 Cultural Dimensions and Consumption Patterns

Developed by sociologists such as Geert Hofstede, culture dimensions have a profound impact on consumer behavior; he defined several dimensions of culture.

Key Cultural Dimensions:

- Individualism vs. Collectivism:
 - o Individualistic societies (e.g., USA, UK): Stress the importance of their own individual choice and self-expression.
 - o Collectivist cultures (e.g., Japan, India): Emphasis on family/community influence.
- Power Distance:
 - o High power distance cultures (e.g., China): conformity to hierarchy, status-oriented consumption.
 - o Low power distance (e.g. Scandinavia) Want equality, don't over brand 11
- Uncertainty Avoidance:

- o High uncertainty avoidance (e.g., Greece): Want to have detailed information, trust brands.
- o Low avoidance (e.g., Singapore): Tolerant to innovation, novelty.
- Masculinity vs. Femininity:
 - o Masculine cultures (e.g., Mexico): Value achievements, material success.
 - o Feminine cultures (e.g., Sweden): - Quality of life and modesty.

Impact on Consumption Patterns:

- Product Tastes: Flavor, packaging, shelf life depend greatly on culture.
- Brand Awareness: Western luxury labels could be taken as status in Asia.
- Ad Messaging: Joke, symbol or sentiment should resonate with culture.
- Buying Channels: Some societies want to buy in person; others trust e-commerce.

Brands who can pinpoint these cultural cues can create more concise, respectful and successful marketing plans.”

13.4.3 Challenges in Understanding Global Consumers

At the same time, global growth brings new opportunities on one hand, but it also makes everything very complicated with diverse consumer behaviors.

Language Barriers:

- Distortion of slogans or texts when translated literally.
- Example: Pepsi’s slogan “Come Alive with Pepsi” didn’t work so well in any number of Asian languages.

Cultural Missteps:

- Offensive, vulgar or inappropriate portraits, imagery or colors · Symbols and gestures.
- Not acknowledging taboo issues or religious sensitivities.

Assumptions and Stereotyping:

- Applying a blanket pattern to the whole country or a part of it.
- Ignores the sub-cultures, minority groups or generation shifts to connect.

Consumer Research Limitations:

- Local data can be scarce or hard to verify.
- Surveys can be misread without being culturally modified.

Evolving Values:

- Values change with globalization, social media and influence of the youth.
- What used to work 5 years ago might not count anymore.

Example Challenges:

- Opening a store in Germany, Walmart stumbled when German customers expected different customer service.
- Adapt your product sizes and catalog design to the Asian markets, repurposed IKEA.

To thrive in the global marketplace, brands need to invest in localized insights, flexible strategies and cultural intelligence training.

13.4.4 Standardization vs. Localization in International Marketing

One of the most controversial issues in international marketing is to standardize or, alternatively, to adapt for local markets.

Standardization Strategy:

- Package, message and brand the same way in all countries.
- Advantages:
 - o Economic production and marketing.
 - o Consistent global brand image.
 - o Easier to manage campaigns.
- Limitations:
 - o Dependence on personal preference/culture or legal restriction may be disregarded.
 - o Risks alienating local consumers.

Localization Strategy:

- Localize offerings according to language, culture, religion and preference.
- Advantages:
 - o Builds emotional connection and trust.
 - o Addresses local needs more precisely.
- Limitations:
 - o Higher costs.
 - o Hard to control for Brand Uniformity.

Best Approach: "Glocalization"

- Construct a hybrid approach which maintains the global consistency and is sensitive to local effect.

- Examples:

- o This is in addition to regional language content with unified user-interface.

- o Coca-Cola maintains its international branding, but changes up flavors or packaging for local markets.

It's a decision that will hinge on things such as type of product, stage in the market life cycle, brand objectives, and cultural diversity.

13.4.5 Role of Culture Sensitivity and Adaptation

Cultural sensitivity isn't only about not messing up — it's about creating good marketing that is respectful, inclusive and resonant.

What is Cultural Sensitivity?

- Sensitivity and appreciation of cultural variation in values, traditions, ways of communicating, behavior.

- Moves beyond stereotype avoidance to actively valuing local culture.

Adaptation in Practice:

- Visual Elements:

- o No "bad" colors, symbolism or attire.

- o Refer to locally appropriate model or visual.

- Language and Tone:

- o Adjust levels of formality and directness in tone depending on the cultural norm.

- o Use colloquial or local terms where relevant.

- Holiday Marketing:

- o Acknowledge your community culture, festivals and belief system in advertising.

Benefits of Cultural Sensitivity:

- Builds trust and brand loyalty.

- Prevents negative PR or backlash.

- Promotes word of mouth and community activation.

Corporate Examples:

- Airbnb started advertising campaigns centered on native hosts and local culture.
- Nike tailors its products to local athletic traditions and ads.

Going the extra mile with respect to cultural sensitivities ultimately enables deeper emotional engagement and market credibility across different geographies.

“Activity: Global Consumer Insight Simulation”

In this activity, students will participate in a **Global Consumer Insight Simulation** designed to explore how cross-cultural factors shape marketing strategies and decision-making. Working in groups of 3–5, each team will be assigned a global brand (e.g., McDonald’s, Apple, Uniqlo, Spotify) and two countries—one Western and one Eastern, such as the USA and Japan. The task is to design a market expansion or product launch strategy for both countries, considering Hofstede’s cultural dimensions, necessary adaptations in product, packaging, or advertising, preferred communication channels, and examples of potential cultural missteps with strategies to avoid them. Teams will present their findings through a five-minute presentation or poster, focusing on cultural sensitivity, localization, and cross-cultural understanding. The expected outcome is that students will gain deeper insight into how consumer behavior differs across cultures, why adaptation is crucial, and how global brands succeed by moving beyond “one-size-fits-all” approaches.

13.5 Future of Marketing and Consumer Behaviour

13.5.1 Evolving Consumer Expectations

As the technology progresses and markets mature, customer demands change dramatically. Today’s customers want more than product; they want experiences, values, personalization, and transparency.

- **Hyper-personalization:** Customers are looking for experiences that cater to them as individuals — their preferences, behaviors and life stages. Customized emails, shopping suggestions and dynamic web pages have become the norm. Example: Amazon provides product recommendations by browsing history and Netflix curates shows based on user viewing behavior.
- **Command an Omni-channel Experience:** Consumers demand that mobile, web, in-store and social are integrated. Click-and-collect, live chats and self-service have all become routine.

Example: Reliance Digital provides buy-online-pick-up-in-store (BOPIS) or app-based ordering with in-store pickup, as is the case with Starbucks.

- **Transparency and Trust** – transparent policies on sourcing, pricing, and the values of brands form trust. Privacy of data has only become a paramount issue as the world becomes more digital.

Example: The Body Shop discloses sourcing information on their cruelty-free cosmetics, and Apple stresses its data privacy policies in sales campaigns.

- **Real-Time Engagement** Immediate replies via chatbots, social DMs or voice assistants define brand encounters. Late and generic response can ruin brand value.

Example: Eva chatbot at HDFC bank responds to customer queries immediately, and Sephora does live beauty consultations over chat.

- **Experience Over Product:** Brands that selling emotion, social experience or a story become the ones consumers prefer. People are drawn more by subscription services, customisation and lifestyle than primal use.

For instance, Nike Run Club connects customers through exercise challenges while Spotify provides tailored playlists to generate fitness value.

13.5.2 Training to Aware and Ethical Consumerism

Consumers are mindful, conscientious and more concerned in the ethics, society and environment while they make purchasing choices. This change is shaping the future of marketing and product design.

- **Ethical Consumers:** They researched your brand's fair labor practices, cruelty-free products and human rights. Some brands — The Body Shop and TOMS come to mind — have thrived because of a strong ethical position. Example: TOMS built its brand around "One for One," by donating shoes for every purchase.

- **Shop Local & Support Inclusive Brands** Shoppers are leaning towards supporting local artisans, minority-owned distribution and inclusive messaging.

Example: Fabindia celebrates Indian handloom artisans, while Fenty Beauty rode to fame on an array of inclusive shades.

- **Transparency and Brand Accountability:** Brands are supposed to be truthful as to where they source, how sustainably they're working, their business operations. Sozialen Medien verstärken den Druck auf Unternehmen, die sich als grünwaschen oder anders darstellen.

Example: H&M was criticized in the past over greenwashing claims, while Patagonia is known for openly and transparently sharing supply chain data for accountability.

- **Influence of Gen Z and Millennials:** Younger generations are driving the rise in conscious consumption. They prioritize purpose-driven brands, climate action and inclusivity.

Example: Gen Z is overwhelmingly backing brands like Allbirds for sustainable footwear and Ben & Jerry's because the company believes activism should be as important as profit.

- New Market Opportunities Vegan products, zero-waste packaging and upcycled fashion have brought new consumer segments. Instead, ethical branding creates a lasting bond of loyalty and community around a cause. Example: Beyond Meat capitalized on the vegan food sector, while brands such as Lush advocate package-free cosmetics.

13.5.3 Sustainable Marketing Practices

Sustainable marketing is about incorporating socially responsible, eco-friendly and financially sound practices in your operations as well as your message.

- Eco-Friendly: Low packaging, biodegradable materials, low energy production. Example: IKEA's flat-pack furniture saves shipping costs and recycling is used in clothing made by Patagonia.
- Eco-conscious communication: Advertisement that raises awareness of carbon neutral processes, eco-labels and impact measures.

Example: The "Rewear It" campaign from H&M encourages recycling of clothes, and Tesla advocates zero-emission vehicles.

- Digital-First Philosophy: Fewer pages printed translates into less impact to the environment. Encourages e-commerce, webinars and digital catalogs, instead of physical ones.

Example: IKEA took its world-renowned catalog online after 70 years to eliminate paper waste.

- Green Supply Chain: Get local sourcing, ethical logistics and cut shipping emissions. Technology such as blockchain is employed for traceability of sustainable sourcing. Example: Walmart tracks food sourcing with the help of blockchain, and Unilever invests in sustainable palm oil supply chains.
- It is a matter of encouraging consumers to become part of the sustainability story (e.g. with return-and-recycle programs). Co-branded initiatives with NGOs or environmental groups to maximise effect. Example: Nike's "Reuse-A-Shoe" program takes old sneakers and Cocoa-Cola works with NGOs to host recycling drives.

13.5.4 Integration of AI, AR/VR, and Blockchain

And the new technologies such as AI, AR, VR and block chains are also changing the ways that a brand interact with consumers.

- Artificial Intelligence (AI): AI scales cross-channel personalization with recommendation engines and chatbots, automates campaigns, and predicts trends. Artificial intelligence-generated content is entering the world of digital advertising.

Example: Netflix is using AI to keep shoppers engaged, and Amazon Alexa offer personalized shopping support functions.

- AR and VR (augmented reality and virtual reality): AR allows customers to “try before they buy,” while VR creates 360-degree brand experiences.

Example: IKEA Place App enables virtual furniture placement within homes, and Gucci developed VR showrooms to allow customers to browse collections remotely.

- Advertisement Continue reading the main storyBlockchain: Blockchain is another technology that adds transparency to supply chains and secure transactions, as well as prevents counterfeiting.

Example: De Beers uses blockchain to track ethical diamond sourcing while luxury brands such as LVMH use it to verify origin of products.

13.5.5 Predictive Trends and Strategic Implications

Brands can't rely on the model of today to build businesses – they need to future-proof for how consumers will behave tomorrow. Predictive analytics and futurism will be the future of marketing evolution.

Key Predictive Trends:

- Voice Search Marketing: Brands need to optimize for voice-based searches, which are different from typed-out queries. Example: You can now order pizzas via voice assistants like Alexa from Domino's.
- Hyper-Personalization: AI and real-time data powered, delivering personalized messages down to micro-segments. Example: Spotify Wrapped offers hyper-personalized annual rundowns of user activity.
- Experience Economy: Events and virtual meetups or limited-edition digital products are valued by consumers. Example: Fortnite paired with artists such as Travis Scott for virtual concerts, drawing millions of users live.
- The Decentralization of Commerce: Peer-to-peer marketplaces and blockchain-based trading are on the rise. Example: OpenSea allows for decentralized trading of NFTs; so does Etsy+ like peer to peer commerce companies.
- Social Commerce: Instagram and TikTok enable direct buying within the app. Example: Instagram Shopping allows you to make a purchase directly as you scroll through posts, while the TikTok Shop features links to products right in videos.

Strategic Implications:

- **Shifting Marketing Roles:** Creative roles are becoming more data-centric and tech-savvy. Example: Firms are increasingly hiring data analysts and AI experts to work within marketing teams.
- **Pay Attention to Consumer Data Ethics:** As consumer data becomes more and more prolific, brands have a duty to be both transparent and respectful of privacy. Example: Apple's "App Tracking Transparency" feature showcases its commitment to consumer data ethics.
- **Content Innovation & Agility:** Strategies need to flex quickly in response to changes in consumer behaviour and market dislocations.

Example: During the pandemic, Nike pivoted campaigns to at-home workouts and social distanced digital engagement practically overnight.

Planning for these transformations will enable a company to evolve from a reactive to proactive state, and remain competitive in dynamic markets over the long-term.

Knowledge Check 1

Choose the correct option:

1. What is the primary reason for the rise in ethical consumerism?
 - A. Lower product prices
 - B. Increased ad spending
 - C. Greater awareness of environmental and social issues
 - D. Improved packaging design
2. Which technology helps consumers try on products virtually before purchase?
 - A. Artificial Intelligence
 - B. Blockchain
 - C. Augmented Reality
 - D. Predictive Analytics
3. Which of the following is a feature of sustainable marketing?
 - A. Excess packaging
 - B. Fast fashion promotion
 - C. Carbon-neutral supply chains

- D. Mass paper-based advertising
- 4. What is the strategic implication of hyper-personalization in marketing?
- A. Generic content for all customers
- B. Uniform pricing strategies
- C. Real-time, data-driven consumer experiences
- D. Print-only advertising strategies

13.6 Summary

⊗ Digital revolution is transforming marketing, and embedding delivery capability (AI, big data, automation and personalization at every point customer touch) everywhere.

⊗ Omni-channel marketing integrates online and offline channels to provide a seamless experience for the consumer.

⊗ Influencer and peer marketing tap into trust and authenticity to influence consumer behavior on social media and through UGC.

- Cross-Cultural Consumer Behavior highlights the importance of place-specific techniques, cultural humility and evidence respecting various consumption styles.

⊗ Today customers demand personalized, ethical and transparent brand interactions grounded in their values and digital fluency.

⊗ Brands are inclined toward environmental friendly practices and focusing on social issues due to conscious consumerism and sustainability.

⊗ AR/VR, AI and blockchain are changing the way customers interact with products/services in real-time.

⊗ Predictive marketing can help brands to predict what is coming and adjust as necessary for long-term success.

♣ The importance of ethics, trust and inclusivity in marketing communication has increasingly been central to brand reputation. ♣ The usability and digital interface design have also recently become key factors on how an organisation communicates their messages, therefore within exhibiting Maslow's hierarchy of needs it shows that both are important due to touching the need for esteem and self-actualisation.

⊖ Strategic foresight and adaptive planning are critical to remaining in vogue in the changing terrain of consumer behaviour.

13.7 Key Terms

Omni-channel Marketing – An approach to marketing that provides customer experience on different channels.

Hyper-Personalization: Leveraging artificial intelligence (AI) and consumer data to instantly tailor messages, products and services.

Influencer Marketing: Advertising products through popular social media personalities and having them positively affect the behaviour of their followers.

purchase decisions.

User-Generated Content (UGC): Content such as reviews, photos and videos generated by consumers themselves (not the brand).

Cultural Sensitivity: Recognising and accommodating to diverse cultural norms, values and communication styles within marketing.

Conscious Consumerism: The practice of purchasing based on ethical, environmental and social concerns.

Augmented Reality (AR): Technology that overlays digital content on top of the physical world to improve consumer engagement.

Green Marketing: The green activities which carried out in the entire process of marketing.

13.8 Descriptive Questions

Answer: Comment on the influence of AI in changing consumer interaction in digital marketing.

Distinguish between multichannel and omnichannel marketing by giving appropriate examples.

Describe the types of social media influencers and how they fit into marketers' strategies.

What is the effect of culture adaptation on successful global marketing communication campaigns?

Discuss: Rise of conscious, ethical consumerism and how it is shaping brand comm?

Explain why trust and authenticity are crucial to influencer marketing.

Discuss the difficulties for marketers in knowing behaviour of global consumers.

What are the pros and cons of using AR/VR in today's advertising?

Distinguish between standardization and localization in international marketing, supporting with appropriate illustrations.

Assess how predictive trends can be used to assist organizations in achieving their strategic marketing goals.

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Answers to Knowledge Check

Knowledge Check 1

1. C. Greater awareness of environmental and social issues

2. C. Augmented Reality
3. C. Carbon-neutral supply chains
4. C. Real-time, data-driven consumer experiences

13.10 Case Study

Introduction

Growing brand EcoGlow, a mid-sized skincare player out of the Netherlands, had honed its brand locally on sustainability-, cruelty-free formulations and recyclable packaging. As the clean beauty trend gains momentum globally, EcoGlow wanted to take its business to Asia, North America and Middle East. Yet global expansion would take more than logistics, it would require a shift in marketing strategies, digital transformation and local cultural understanding. The brand needed to find its way through omnichannel compliance, influencer friendships and an array of consumer expectations while still staying true to being responsible.

Background

EcoGlow's European market customers appreciated ethical sourcing, low packaging, and transparency. The brand found various purchase features as it moved into overseas markets:

- In Asia, skincare was multistep and ingredient-driven.
- Consumers in North America favored simplified routines and clean labeling.
- Luxury and trust in the endorsements had more sway in the Middle East.

The management embraced a digital-first strategy with AI and analytics as its engine to better understand these segments. The question was how to keep the brand values and story while tailoring it to cultural nuances, digital behavior and engagement mode of a platform.

Problem Statements and Solutions:

Issue 1: Lack of Alignment in Influencer Marketing Among Different Cultures

- **Tactic:** A North American partnership with a macro-influencer gave them the visibility, but not the clicks. In Asia particularly micro-influencers were delivering better ROI.
- **Solution:** EcoGlow transitioned to a local influencer model, hiring nano- and micro-influencers in Asia for authenticity and macro-influencers in Western markets for reach. That resulted in an increase of trustworthiness and increased conversion rates.

Issue 2: Homogenized beginning, middle end messaging is driving a cultural disconnect.

- **Problem:** Advertisements that used Dutch aesthetics and language tone did not make a connection with markets in the Middle East or Asia.
- **Solution:** The brand transitioned from standardization to a glocalized strategy of customizing its visuals, taglines, and product promotions to specific local customs and consumption habits. For example, in Japan they showcased ingredient purity but concentrated on halal certification in Dubai.

Issue 3: No Predictive Vision of Sustainable Trends

- **Will consumers believe in sustainability? - Issue:** Even though sustainability is a worldwide topic, consumer information was different. Without predictive tools, marketing sorties overlooked the most pertinent regional issues.
- **Solution:** EcoGlow invested in AI-powered predictive analytics to monitor search trends, customer reviews and what its competitors were up to. They also found that in North America, carbon footprint was most important, while in Asia customers prioritized cruelty-free practices. Messaging was aligned accordingly.

Case-Related Questions

How can companies retain a global ethical identity while adapting to local market pressures?

How much does cultural nuance factor into the strategy of an influencer campaign?

How predictive analytics will change the way we make decisions in international marketing?

How should marketing automation be tailored for varying consumer segments among cultures?

What are the risks when companies over-rely on standardization in global programs?

Conclusion

EcoGlow's evolution is a testament to the need for flexibility, digital savvy and cultural awareness in contemporary marketing. Through integrating AI tools around ethical branding and local consumer insight, the business was able to scale from a startup to become an international brand without its integrity being washed away. The case

illustrates how influencer strategy, predictive analytics and glocalization can be integrated to achieve effective cross-cultural marketing. As consumer behavior around the world keeps changing, companies that do this effectively and proactively combine a sense of personalization with a focus on sustainability and cultural relevance will be the ones to spearhead the next wave of responsible marketing.

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Unit 14: Artificial Intelligence and Consumer Behaviour

Learning Objectives

1. Define the role and significance of Artificial Intelligence (AI) in modern marketing and consumer analytics.
2. Explain how AI technologies such as machine learning, natural language processing, and predictive analytics influence consumer behaviour.
3. Analyze real-world examples of AI-driven personalization in consumer experiences across different industries.
4. Evaluate the ethical implications and privacy concerns associated with AI-driven consumer data collection and usage.
5. Differentiate between traditional consumer behaviour models and AI-enhanced decision-making processes.
6. Interpret consumer data using AI tools to identify patterns, preferences, and behavioural trends.
7. Design basic AI-integrated strategies to improve customer engagement, satisfaction, and brand loyalty.

Content

- 14.0 Introductory Caselet
- 14.1 AI in Marketing Applications
- 14.2 AI for Consumer Insights
- 14.3 Future Trends in AI and Consumer Behaviour
- 14.4 Ethical Concerns in AI and Consumer Behaviour
- 14.5 Summary
- 14.6 Key Terms

14.7 Descriptive Questions

14.8 References

14.9 Case Study

14.0 Introductory Caselet

LumaStyle is an online midsize clothing boutique in a saturated, way too competitive e-commerce industry. For years, it had depended on seasonal sales, trend forecasts and blanket email marketing to reach customers. This was somewhat effective, but the company lost customers because it couldn't maintain demand-promised inventories.

One morning, the founders of LumaStyle visited a retail innovation conference as members of their management team, and learned how global companies like Zara and Amazon leverage Artificial Intelligence (AI) to revolutionize consumer experiences. Curious, they saw what more they could find. They found that A.I. could be used to analyze customer tastes, predict buying behavior and even fine-tune marketing campaigns in real time.

LumaStyle tested the waters with a smart and simple recommendation engine. The results were immediate: Customers spent more time on the site, click-through rates for emails improved, and sales started to climb steadily. Over time, they added chatbots to provide 24/7 customer service and applied AI to streamline their supply chain.

However, they also faced challenges. Some customers were uneasy about data privacy, and the marketing team wrestled with how to balance automation with a human connection. To overcome these, LumaStyle developed a clear data policy and incorporated AI tools along with warm human engagement.

Through clever AI integration, LumaStyle was able to not just keep pace, but also find new and smarter ways to engage with customers.

Critical Thinking Question

Explain how AI enabled LumaStyle to gain a more thorough understanding of, and the ability to shape consumer behaviour and suggest some risks associated with applying artificial intelligence technology without clear ethical guidelines.

14.1 AI in Marketing Applications

14.1.1 AI for Product Recommendations (for example, Amazon, Netflix)

Artificial intelligence based product recommendation system involves algorithms and data analysis to recommend products or content to users according to their preferences, behavior, and interaction. They are based on three types of recommendation methods, see below.

AI-based filtering method for product recommendations

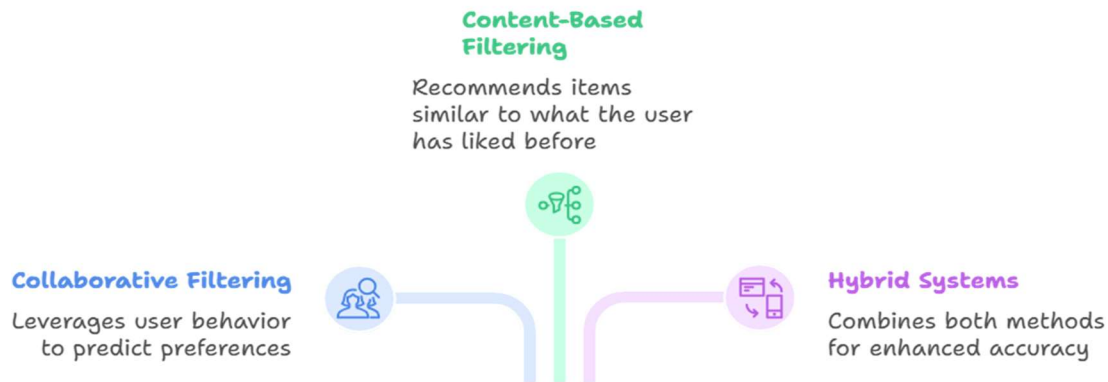


Figure 14.1

- **Collaborative Filtering:** It recommends products for the users, according to preferences of similar users. The system assumes if two users have rated some items favorably that they shall like other similar items.
- **Content-Based Filtering:** It recommends items similar to those the user has liked in the past, based on similar attributes of products.
- **Hybrid Systems:** A lot of systems, the likes of Amazon or Netflix, extends on both collaborative filtering and content-based model to provide better accuracy and relevance.

Amazon uses customer browsing history, purchase information, and ratings to recommend various products. Netflix employs user history, genre selections and temporal information to recommend shows or movies likely to appeal to a given user. Systems like these create better customer experience, ad retention and drive conversions or sign-ups.

14.1.2 AI-Powered Chatbots and Virtual Assistants

AI chatbots and virtual assistants Chatbots can simulate human conversation, thanks to NLP (Natural Language Processing) and ML (Machine Learning) algorithms that bring the illusion of real-time interaction with users. These technology are intended to enable a range of marketing and customer services:

- Chatbots can usually be found within Web sites, social media platforms, or within chat/messaging applications. They can address the FAQs, furnish product details, help to place orders and even solve basic problems.
- If you upgrade to a Virtual Assistant such as Siri, Alexa or Google Assistant, the additional capabilities are richer and span devices and services that help with everything from shopping to scheduling to searching.

These technologies can cut down on response time, enhance customer satisfaction and deliver service around the clock. Businesses scale with operational effectiveness; people use a frictionless service.

14.1.3 Personalization in Consumer Experience

Consumer experience personalization is the application of AI to customize products, services or content for users on an individual basis by observing their behaviour and knowing about them from their demographics and preferences. AI does this by voraciously digesting enormous data dumps of user interactions across digital touchpoints.

Techniques involved include:

- Content Personalization: Websites and applications present various arrangements of content, product recommendations or marketing messages according to user characteristics.
- Targeted Advertising: AI algorithms predict which ads a user is expected to click and thus optimize the distribution across platforms, such as Google Ads or Facebook.
- Email and Messaging Personalization: AI tweaks the timing, content and subject lines of different consumer segments' emails in order to optimize for opens and click-throughs.

Personalization drives higher customer engagement, loyalty and sales. It also helps brands stand out in a crowded space, competing in the market for a better, more relevant user experience.

Did You Know?

“AI-driven personalization can increase consumer engagement by over 80%, with 91% of customers more likely to shop with brands that offer relevant recommendations. By analyzing browsing history, purchase patterns, and preferences, AI creates tailored experiences that boost loyalty, satisfaction, and conversion rates across digital platforms.”

14.1.4 Case Studies of AI in Marketing Campaigns

A few businesses have used AI in their marketing strategies with quantifiable results. Key examples include:

- Coca-Cola: Leveraged AI for social media listening and sentiment analysis to analyze consumer perceptions and trends, which shaped product development and marketing tone.
- Starbucks: Employed AI in its “Deep Brew” platform to customize marketing messages and offer suggestions for customers based on their purchase history and preferences.
- Sephora: Used artificial intelligence-powered virtual try-ons and chatbots to upgrade online and in-store customer experiences. It also applies predictive analytics to recommend products and personalize promotions.
- Spotify: Applies AI to curate personalized playlists such as “Discover Weekly” in accordance with users’ listening histories, leading to enhanced retention and engagement on the platform.

The above explanations clarify how companies can leverage AI to not just analyze consumer behavior, but also guide marketing actions, increase customer satisfaction, and promote ROI.

14.2 AI for Consumer Insights

14.2.1 Predictive Analytics for Consumer Behaviour

Predictive analytics uses historical data and stats algorithms, and machine learning to predict future behavior. Within marketing, AI improves predictive analytics by understanding customer data to identify patterns and trends that predict the following behaviors:

- Likelihood of purchase

Example: “Amazon forecasts what the viewer will want to buy next and places that in” an important space.

“Recommended for You” sections.

- Churn prediction

For instance, telecom companies such as Vodafone leverage churn models to predict high churners and issue retention discounts.

- Response to promotions

Example: Starbucks studies customer data to anticipate who will respond to seasonal offers like limited-time beverages, then sends targeted notifications.

- Lifetime customer value estimation

Example: Netflix makes use of predictive modeling to predict which subscribers will stick around for a long time, and it invests in personalized recommendations to maximize the lifetime value.

For instance, an online retailers could employ predictive models to recommend products the user is likely to buy based on past browsing and buying behavior. Product placement, inventory control and personalized marketing paradigms are addressed with proactive decisions that can be made by companies.

14.2.2 Sentiment Analysis of Social Media and Reviews

Sentiment analysis is a process that estimates sentiment type from a given text and it is the Natural Language Processing (NLP) method to find and classify emotions of news. Sentiment analysis powered by AI can sift through massive amounts of user-generated content from places like Twitter, Facebook, Instagram and product review sites.

Key applications include:

- Polling public opinion on products, services or campaigns

For example: Coca-Cola monitors sentiment during global ad campaigns to measure consumer response.

- Analysing any trends created by your satisfied or dissatisfied customers

Example: Airlines such as Delta sift through tweets and posts to find grumbling about flight delays or services.

- Detecting potential brand crises early

For example, the Galaxy Note 7 battery issue and Samsung's monitoring of consumer sentiment online to quickly act on negative backlash.

An AI can categorize text as positive, negative or neutral and even recognize more nuanced emotions like anger, joy or sarcasm. This knowledge allows marketers to adjust messaging, respond to issues and more effectively interface with their audience.

14.2.3 Customer Journey Mapping with AI Tools

Customer Journey mapping is the process of tracing and analyzing consumers' journeys from becoming aware of, to considering purchasing, and exploring how they interact with products after purchase. AI creates efficiencies in this process by combining data from various touchpoints (website visits, email clicks, customer service interactions) and recognizing behaviors.

AI tools can:

- See the journey a customer takes as a whole, or by segments

Example: Salesforce AI offers visualization dashboards that illustrate how various customer segments navigate from web browsing to purchase.

- Find out where the friction is in the buying process

Example: E-commerce platforms like Flipkart leverage AI to detect where customers drop off (e.g., during checkout) and optimize the flow.

- Recommend tailored measures to increase conversion

Example: Spotify algorithmically maps a user's journey, and they prompt premium subscription offers when you hit engagement benchmarks.

Unlike typical linear journey mapping, AI-based journey maps are not static and could be updated regularly for real time account of the non-linear world in which consumers operate.

14.2.4 Real-Time Analytics for Decision-Making

Product analytics happen in the moment, meaning you take real-time data and analyze it to drive instant decision-making based on how consumers are behaving right now or what's trending on the market. AI systems enable this by:

- Continuously monitoring digital interactions

For example: E-commerce sites such as Amazon monitor clicks and purchases live, allowing the company to change what it shows on a home page in real time.

- Detecting significant behavioral changes instantly

Example: Twitter analyzes trends and sentiment online in real-time to discover new events or customer discussions.

- Instant automated responses (for example, send a personalized push to user when they left a cart) Use case: Myntra sends notifications or offers to users who has dropped the shopping cart and boosts the shop.

209 users and items with applications in dynamic pricing, personalised recommendations and adaptive user interfaces. Active analytics enable agile marketing allowing the business to react rapidly to customer demands, market changes and competitive activity.

Knowledge Check 1

Choose the correct option:

1. What is the primary purpose of predictive analytics in consumer behaviour?
 - a) Generating random ads

- b) Forecasting future actions
 - c) Managing employee data
 - d) Designing websites
2. Which technique is used to analyze customer emotions in social media text?
- a) Image recognition
 - b) Predictive coding
 - c) Sentiment analysis
 - d) Data mining
3. Customer journey mapping helps marketers to:
- a) Reduce product cost
 - b) Track shipping
 - c) Understand buyer stages
 - d) Improve logo design
4. Real-time analytics allows marketers to:
- a) Delay product launches
 - b) Block customer feedback
 - c) React instantly to data
 - d) Avoid AI tools

14.3 Future Trends in AI and Consumer Behaviour

14.3.1 Voice Commerce (Alexa, Google Assistant)

V-commerce (voice commerce) is the next horizon of AI conversation with consumers. It enables users to execute commerce related activities using voice commands on smart assistants like Amazon Alexa, Google Assistant, Apple Siri and Microsoft Cortana. The technology is based on Natural Language Processing (NLP) and Speech Recognition systems which understand and act upon spoken language.

Key Features and Use Cases:

- **Product Discovery and Recommendations:** Consumers can request for product recommendations ("What are the hottest deals on running shoes?").

Example: Walmart partnered with Google Assistant to let shoppers look for bargains by voice.

- **Order Placing and Reordering:** Get rid of the need to visit a website or app to re order common household items and frequent purchases.

Example: Amazon Alexa allows Prime members to reorder staples such as detergent or pet food with just a vocal command,

"Alexa, reorder my detergent."

- **Shopping Advisor:** Using AI, human preferences can be caught over time and precise match results.

Example: Google Assistant offers restaurants or retail locations based on previous searches and order history.

- **Connectivity to Smart Devices:** Voice-activated assistants are increasingly integrated with smart home systems, allowing for purchases while multitasking.

Example: LG's smart refrigerators connect with Alexa, which means that users can add groceries to their shopping list using voice commands.

Voice commerce is especially relevant in hands-free use cases while cooking, driving, or multitasking at home. Improved voice recognition and the introduction of voice authentication technologies is set to secure and improve the purchase by voice experience.

14.3.2 AI-Driven Dynamic Pricing

Dynamic pricing, driven by AI, is a method of setting optimised prices for products or services in real-time, according to what the customer will pay at a certain repurchase cycle. This is particularly common for e-commerce, hospitality, transportation and entertainment.

Core Mechanisms:

- **Real-Time Analysis:** AI is constantly collecting and analyzing data from a variety of sources—browsing behavior, location, purchase history, competitor websites and time of day.

Example: Amazon adjusted product prices many times a day, depending on demand and other companies' pricing.

- **Algorithmic Tactics for Price:** These are price-setting algorithms that dynamically control the price to achieve a desired profit objective or tactical goal (e.g., clear inventory and recoup any expenses, attract buyers who are more price sensitive).

Example: Uber's surge algorithm hikes prices during high demand, such as for festivals or rush hour.

- Customized Pricing: It is also possible that, in some products, AI assigns different prices to the same product depending on user profile, browsing device or purchase frequency.

Example: Online travel agents like Expedia change hotel and flight rates according to the user's search history or location.

Dynamic pricing helps in optimizing revenue management: products are not overpriced or under bought at any point of time. Companies such as Amazon, Uber and Airbnb have machine-learning-based pricing engines that update instantly with market signals, enabling them to remain competitive in their markets while being more efficient operationally.

14.3.3 AR/VR Experiences in Consumer Engagement

Augmented Reality (AR) and Virtual Reality (VR) are fungible technologies that allows consumers to visualize products in an emulated environment. Together with AI, these technologies enable context-aware, personalized consumer encounter and fundamentally collapse the distinction between online and offline worlds.

Applications in Marketing and Retail:

- Virtual Try-Ons: Brands such as Sephora, Lenskart and Nike use augmented reality to let people virtually try on makeup, glasses or shoes using their smartphone cameras.

Example: L'Oréal's AR app "ModiFace" allows users to "try on" lipsticks and hair colors before buying.

- Home Visualizations: Furnishing manufacturers like IKEA are also allowing customers to put 3D models of products in their home space through AR before they buy them.

And: IKEA Place app lets consumers visualize how furniture will look in their living room.

- Virtual showrooms & stores: Consumer immersion gets stronger as customers interact with products in highly realistic three-dimensional space, simulating real world layouts of the actual store. Example: Audi has VR showrooms where customers can virtually visit car models.

AI powers AR/VR apps that adjust to a user's tastes, past behavior, and demographic profile – resulting in more immersed users, better-informed choices, and lower product return rates.

14.3.4 Hyper-Personalization and Predictive Shopping

Hyper-personalization: It's the practice deploying real-time behavioral data, AI and analytics to deliver personalized consumer experiences on a level that is deeply personal. It goes

beyond “basic” personalization (such as addressing X by their name) to also include dynamic, predictive, and contextual recommendations.

Components and Benefits:

- **Dynamic Content/Personalization:** Websites, emails and app interfaces adapt to what individual users have or haven’t done with them in the past.

Exemplar: Netflix features – in real time – shows that have been influenced by the watching habits of other users on their homepage.

- **Predictive Product Recommendations:** By learning from the browsing and purchase history of the consumer, top AI brands are able to predict products a couple of steps before consumers actually search for it.

Example: Amazon pushes products under “Frequently Bought Together” and “Customers Who Bought

This Also Bought.”

- **Predictive Reordering Systems:** Services like Amazon’s Dash Replenishment Service will automatically reorder household supplies, based on metrics of consumption.

Example: HP has a guess-and-pre-ship model for ink cartridges through its Instant Ink subscription, where predictive data tells it when to send you that next shipment of ink before a customer runs out.

- **Personalized Communication Timing:** The timing of the communication which determines through AI is the right time and channel (email, app notification, SMS) to communicate with each individual customer to get maximum response.

Stoa researchers analyzed a Starbucks app that sends a push notification about coffee promotions during the peak hours of morning, based on consumer habits.

Predictive shopping is the final frontier of AI in consumer behaviour, where consumption becomes an essential part of consumption itself. The objective is that the shopping experience needs to be seamless and intuitive in order to eliminate any friction, increase delight and loyalty towards their brand.

14.4 Ethical Concerns in AI and Consumer Behaviour

14.4.1 Privacy Issues in Data Collection and Use

The AI in consumer behaviour is strongly dependent on the gathering of large amounts of data, both personal, behavioural and transactional. Public discussion in many States had been dominated by the military applications of these technologies, and with the gathering evidence that foreign countries were able to survey Australian territory and assets

effectively undetected, the ACT wanted some clarity. "Especially when it comes to reconnaissance overflights," he added — a little bit like high-altitude espionage, really.

Key Issues:

14.4.2 Algorithmic Bias and Fairness

AI is trained on data which could carry bias, already in place in the society. Use this in marketing and you get biased actions/prejudice against or favoritism for certain group of consumers.

Examples of Bias:

- Gender and Racial Bias: To different people, for example, AI could offer up different ads or deals on the basis of gender or ethnicity, perpetuating stereotypes.

Example: A study discovered that Google's ad system was significantly more likely to show high-paying job ads to men over women.

- Economic Segregation: Shoppers from poorer neighborhoods also may get fewer products suggested to them, or be charged more.

Example: Uber and other ride-hailing service have come under fire for surge pricing in low-income neighborhoods, which limits access.

- Underrepresentation in Data: The AI may not perform well for underrepresented demographic groups.

Example: Early facial recognition software was far more likely to miscalculate the identities of people with darker skin as it had not been trained on a diverse range of data.

Guaranteeing algorithmic fairness includes frequently auditing models, considering a wide array of datasets and creating ethical guidelines that place importance first on being inclusive and equal when it comes to consumer engagement.

14.4.3 Building Consumer Trust in AI Systems

Trust of End Consumers is The Most Import Factor For the Adoption Of AI-Driven Technologies. When AI is employed to make consumer purchase decisions or to personalize experiences, the consumer has to feel the system is working in his best interest.

Trust-Building Strategies:

- Transparency: The description, explanation and logging of data used by AI systems as well as the procedures they follow to reach decisions.

Specifically: Spotify writes blog posts about how its recommendation algorithms work, to help users understand why it is suggesting certain playlists.

- **User Control:** Allowing users to control their preferences, opt-out of data tracking or correct algorithmic outputs.

Example: Google permits its users to change their ad personalization settings and also delete their browsing activity.

- **Explainability:** Making AI recommendations or decisions understandable.

Example: LinkedIn has a job recommendation engine which provides justifications as “This role is right for you because the description matches your profile” 7 other query revision. Similarly, other search engines have query revision systems.

profile skills and past searches.”

Consistence: The system must be dependable and consistently produce the same accurate and relevant results. Example: Amazon’s product recommender refreshes continually based on browsing history to stay relevant.



Figure 14.2

Trust building increases user experience and influences long-term customer loyalty as well as adoption resistance towards AI-based services.

14.4.4 Balancing Innovation Versus Responsible AI Practices

Competing for AI advantage And companies that do choose to deploy these technologies need also to think about the ethics and consequences of doing so. Ethical AI is about ensuring innovative advances are aligned with ethical, legal and societal values.

Key Considerations:

- **Ethical oversight:** Introduction of internal ethics bodies, or guidelines for development and implementation of AI. Example: Microsoft has an AI Ethics Committee that ensures proper usage of AI technologies.
- **Risk Management:** Assessing and addressing risks or undesirable outcomes related to the use of AI.

Example: Airbnb employs AI to monitor and mitigate the risk of discrimination, ensuring fairness when matching hosts with guests.

- **Sustainability and Equity:** Making the case for AI that supports sustainable business practices and does not exacerbate already existing inequities.

Example: IBM designs AI models around the theme of sustainability (i.e. how to limit energy consumption in data centers).

- **Regulation Compliance:** Adapting to new domestic and global regulations around the use of AI and data governance.

Example: Firms that have operations in Europe seem to be the ones who've recreated data practices to meet General Data Protection Regulation, including acquiring overt cookie consent from their websites.

The FBM GoodFlow model also underlines the importance of finding a proper 'trade-off' between technological progress and ethical awareness; in particular, in the context of sustainable consumer-oriented innovation.

“Activity”

Divide students into four groups. Assign each group one ethical concern from 14.4. Ask them to analyze a real-world example where that concern was evident (e.g., data misuse, bias in ads). Each group presents their case and suggests ethical AI solutions. Discuss findings in a classroom debate.

14.5 Summary

- ⌘ AI: Changing the way businesses see consumer behavior, and how they respond.
- ⌘ Product recommendation systems utilize AI to increase engagement and sales with customers.
- ⌘ AI chatbots provide immediate, automated customer assistance and better quality of service.
- ⌘ Artificial Intelligence-based personalization customizes on-the-fly marketing and user experiences.
- ⌘ It enables predictive analytics for predicting consumer needs and optimizing marketing strategies.
- ⌘ Sentiment analysis to describe the customer views from social media and review.
- ⌘ AI tools can map customer journeys to understand when and where pain points are being felt, and conversion is falling down.
- ⌘ With real-time analytics, it is now possible to make data-driven consumer interactions more quickly.

7 Future trends to watch: 1.Voice commerce, 2.Dynamic pricing, 3.AR/VR and hyper-personalization.

⌘ Ethical AI necessitates the consideration of privacy, fairness, trust and responsible innovation.

14.6 Key Terms

Artificial Intelligence (AI) : The ability of a digital computer or computer-controlled robot to perform tasks commonly associated with intelligent beings including learning, reading, reasoning and decision making.

Predictive Analytics: The practice of employing historical information and AI algorithms to predict emergent consumer behaviours and trends.

Personalization: The act of customizing content, goods, or experiences to individual users using data and preferences.

Chatbot: A text- or voice-based AI tool that communicates with users to offer customer service or information.

Sentiment Analysis: AI technology that assesses the attitudes and emotions behind user-generated content, including product reviews or social media posts.

Dynamic Pricing: A pricing model in which AI responds to demand, competition, and customer behavior in the moment by setting product prices.

Customer Journey Mapping: Tracking and analyzing a user's journey through touch points with a brand in order to improve that experience.

Algorithmic Bias: The scenario in which AI systems yield unfair results as a result of biased training data or flawed system design.

14.7 Descriptive Questions

Discuss how recommendation systems powered by AI can impact the choices we make as consumers. Give some from Amazon or Netflix?

Talk about the place of AI in customizing consumer digital experiences.

How does predictive analysis help in a marketing strategy and consumer engagement? Illustrate with examples.

What is sentiment analysis and how are companies using it to track what consumers say about them on social media and in reviews?

Define what is dynamic pricing? What is it like to work with AI for dynamic pricing in e-commerce?

Analyse augmented reality and virtual reality technologies in improving consumer engagement. What's the role of AI within these tools?

What are the primary ethical issues in consumer behaviour that pertain to AI?

What should companies do to gain consumer trust in AI systems?

Q&A What are the barriers and possibilities of hyper personalisation and predictive shopping in retail?

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Answers to Knowledge Check

Knowledge Check 1

1. b) Forecasting future actions
2. c) Sentiment analysis
3. c) Understand buyer stages
4. c) React instantly to data

14.9 Case Study

Introduction

Fast fashion and lifestyle brand Trendora's target audience are Gen Z and millennial online shoppers. As digital commerce came of age, Trendora leadership recognized a disconnect between what consumers expected and their own online experiences. For all the shopping visits, engagement (and repeat purchasing) was minimal. The company wished to build a personalized and intuitive shopping experience powered by Artificial Intelligence (AI).

So taking inspiration from the industry giants as Amazon and Netflix, Trendora's marketing and tech teams joined forces to infuse AI into their consumer journey. Their objectives were to provide a tailored product recommendation, present real-time pricing models, and forecast the needs of consumers based on their browsing habits and buying history.

Background

The AI launched with a recommendation engine that's measured user data — past purchases, browsing habits, cart abandonment. And even social media engagement. The outcome is that you receive extremely contextual product recommendations and content for the things you are interested in. The platform also used chatbots for size queries, product availability and order tracking to provide 24/7 customer service.

Carrying forward the early success, AI-powered dynamic pricing was implemented, prices were continuously reevaluated in real-time according to current demand, stock availability and user interest. And predictive analytics also helped pinpoint when users would likely need to re-order products, sparking reminder emails and special offers.

But this quick expansion of the role of AI was also greeted with ethical issues. Some members of the public have questioned how their data was being collected and used. Others observed discrepancies in price for identical products, prompting discussions on how fair and transparent the online marketplace really is. In light of that, Trendora released an open data policy and allowed for opt-out tracking.

1 Issues and Challenges 1.1 Data Privacy and Transparency

Trendora's AI systems critically depend on extensive, detailed personal data, which has generated serious concerns from existing and potential customers who feel they were left in the dark on how the firm used their data. Solution: Trendora developed a clear and concise privacy policy that was inserted at every touchpoint at which the customer interacted with its system. Granular controls for consent were also introduced to allow users to determine precisely what data they willing to share. The company also established an AI ethics committee that regularly reviewed algorithm fairness and proposed any necessary changes. Problem statement 2: Algorithmic Bias in Recommendations Several users also lodged customer feedback that they could predict the gender of the user based on the item recommended. Other customers also noted that the system failed to clearly comprehend new personal preferences they would develop after switching their browsers for a while. Solution: The AI developed was retrained based on more diverse and more updated datasets and real-time feedback provided to users to help improve their own recommendations. Trendora has implemented an explainable AI method to offer an explanation by designing bias detection tools in the model training process. Problem statement 3: over-Personalization Versus Consumer Autonomy Due to over-reliance on predictive shopping features, some took random personal recommendation tools personally and felt overwhelmed with AI-generated shopping prompts nudging them to buy the item or

complete a transaction. Solution: Trendora introduced consent-based personalization' to users to which they could choose the personalized prompts' frequency and type. Predictive shopping reminders were made an optional and adjustable service on an account setting.

ConclusionThe case study on Trendora highlights both the potential and risks posed by the introduction of Artificial Intelligence into the digital retail space. By integrating AI-driven recommendations, predictive AI analytics, and dynamic pricing, Trendora effectively increased personalization, customer engagement, and profitability. However, the company's experience also demonstrates the need to remain ethical and transparent in these channels, as longevity in the market relies on maintaining customer trust. Addressing concerns of privacy, preventing algorithmic bias, and empowering customer agency were essential steps towards establishing trust and transparency within its customer experience ecosystem. Ultimately, Trendora illustrates how AI can be used in the short term to revolutionize the customer buying system, but in the long term, responsible marketing is the best practice.