



## STUDY NOTE - 6

### MARKETING STRATEGY

**This Study Note includes:**

- **Marketing philosophies**
- **Market orientation**
- **Marketing mix**
- **E-Marketing**
- **Brand, brand equity and its value**
- **Market research and intelligence**
- **Data warehousing and data mining**
- **Successful customer outcomes**

### INTRODUCTION

In the common parlance Marketing has been defined as the promotion of products especially advertising and branding. However, this term has a wider meaning in that marketing is customer oriented. Products are designed to meet the desires of groups of customers or even in particular cases for specific customers.

#### Evolution of marketing philosophies

| <b>(4+3+4)= 11 P's</b>                                                                                                                                                                                                                                                                                | <b>3 D's</b>                                                                                                                          | <b>4 C's</b>                                                                                                                                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Product</li> <li>• Pricing</li> <li>• Promotion</li> <li>• Placement</li> <li>• People</li> <li>• Process</li> <li>• Physical evidence</li> <li>• Personalization</li> <li>• Participation</li> <li>• Peer-to-Peer</li> <li>• Predictive modeling</li> </ul> | <ul style="list-style-type: none"> <li>• Design right proposition</li> <li>• Deliver value</li> <li>• Develop capabilities</li> </ul> | <ul style="list-style-type: none"> <li>• Customer solution</li> <li>• Customer cost</li> <li>• Convenience</li> <li>• Communication</li> </ul> |

E. Jerom McCarthy divided marketing into four general sets of activities. This has been universally recognized as the 4P's and the four activity sets are as follows:



1. **Product:** The aspects of product marketing which deal with the specifications of the actual product or service and how it relates to the customers' needs and wants. This scope can be extended to include warranties, guarantees and support.
2. **Pricing:** The process of determining monetary price of a product including discounts or even exchange for another product or service can be included under this head.
3. **Promotion:** This includes advertising, sales promotion, publicity and personal selling and also extends to identification of various modes of promoting a product, brand or company.
4. **Placement:** This can be defined as distribution also and refers to how the product or service reaches the customer and which customer / group. For example, the point of sale placement or retailing. The "placement" has also been some times connoted as "place" relating to the channel by which a product or service is sold. For example, online or retail, which geography or industry, to which segment, gender, families, business people, etc.

These four elements are normally identified as marketing mix, which can be used for developing a marketing plan. The 4 P's model is more useful for developing a marketing plan for low value fast moving consumer goods (FMCG). The industrial products and high value consumer products require adjustments to this model, as technological invention needs to be focused.

Services marketing also require delineation of the unique nature of services and demonstration when required.

Industrial or business-to-business (B2B) marketing normally are pursued through long-term contractual agreements, which are in the nature of supply chain transactions.

Relationship marketing attempts to do this exercise by looking at the long-term relationship perspective rather than individual transactions.

However, there are limitations to this 4P's model as Morgan in his book "Riding the waves of change (Jossey – Bass, 1988) suggests that one of the greatest limitations of 4P's approach is that it unconsciously emphasizes the inside out-view (looking from the company outwards), where as, the essence of marketing should be the outside-in approach". However, the 4P's model offers a platform for developing a framework for major categories of marketing activity and to obtain a broader perspective from the marketer's angle.

### **Retailing concepts**

The term retailing originates from the French word "retailier" meaning one who cuts and makes pieces of cloth. Levy and Witz have defined retailing under the concept of the value chain focusing on the value addition done to the end customers. According to them there are four key areas, which puts the concepts of retailing into distinct compartments:

- **Bulk breaking:** A retailer buys in bulk and breaks the bulk into more meaningful consumable portions for the benefit of the customer. Bulk breaking can also refer to non-goods like service. For example, a travel agent buys airline journey time in blocks and breaks it for the benefit of the ultimate travelers. Buying in bulk reduces the overall costs and benefit arising there in is shared with the customers appropriately.



- **Assortment:** Providing a variety of goods and services is another specialty of a retailer. The retailer considers the customers requirements and attempts to provide daily or long term consumption goods under one roof with as much assortment and variety as possible. This also depends on how the retailer positions himself. Present day customers would like to get all that they want under single roof. Assortment in this context would refer to the depth of merchandise such as all the options, styles, sizes and brands, which can be brought under the category, eg. Men's shirts – full sleeves, half sleeves, varying sizes, varying colors, various brands and so on. Variety would then refer to the breadth of merchandize like men's shirts, women's apparels, kids wear, and home needs, groceries. Retailing concepts are slightly different from marketing concepts with respect to product mix and product line. Product mix and product line may appear to look like assortments and variety respectively. The main difference is that product line and mix deal with a single company say P&G where assortments and variety can deal P&G, HLL, Cavin Kare, Sara lee and Nike etc. This would mean that a retailer deals with more than one manufacturer. Besides, some retailers have their own labels physically positioned in their own show rooms along with leading international brands.
- **Holding inventory:** A retailer benefits manufacturers and suppliers by holding inventory reducing their carrying costs. The retailer also gets an advantage in bulk buying through higher discounts. Thus this is a win-win situation.
- **Providing service:** Retailers provide additional services such as promotional benefits, repairs, replacements, information, comparison etc. This benefits both the manufacturers and service providers by not having to maintain facilities all over the geography. The retailers also provide home delivery service and after sales service at the customer premises.

With the services marketing coming to the fore and developing into a major contributor to any country's gross domestic product, the marketing philosophy has included three more P's namely, people, process and physical evidence.

5. **People:** Any person coming into contact with customers can have an impact on overall satisfaction. Whether as a part of supporting service to a product or in total service itself, people become particularly important, because in the eyes of the customer they are inseparable from the total service. In effect these people are solution providers and as such they should be appropriately educated and trained in the application of product or service. Some times fellow customers are also referred to people as they provide their own experiences as information.
6. **Process:** This is the process or processes involved in providing a service and the behavior of the people that is crucial to customer satisfaction. This will entail planning the sequence of processes for delivering the service as also disseminating the necessary information to the customer and proper maintenance of the product if it relates to servicing a product.
7. **Physical evidence:** Unlike a product a service cannot be experienced before it is delivered which makes it intangible. This means that potential customers could perceive greater risk when deciding whether to use a service or not. To obviate this perception of risk



and improving the chances of success that is often vital to offer potential customers the chance to experience what a service would be able to offer. This is done by providing physical evidence such as demonstrations, case studies, testimonials, etc

The original 4P's concept idea was developed to help marketers manage the marketing mix. With the Internet making its appearance Idris Mootee devised a new 4P's model in 2001 to supplement the traditional marketing 4P's. They are personalization, participation, peer-to-peer and predictive modeling.

**Personalization:** The author here refers to customization of products and services through the use of the Internet. Early examples include Dell online and Amazon.com and this concept has been further extended with emerging social media and advanced algorithms. Newer technologies are pushing this idea further.

**Participation:** This is to allow customer to participate in what the brand should stand for: What should be the product directions and how advertising campaign should be run? This concept is laying the foundation for disruptive change through democratization of information.

**Peer-to-Peer:** This refers to the customer networks and communities where advocacy happens. The historical problem with marketing has been that it is "interruptive" in nature, trying to impose a brand on the customer. This is most apparent in television advertising. "Active customer communities" will ultimately replace these "passive customer bases". The brand engagement happens with in those interactive parleys. Peer-to-Peer is now referred as "social computing" and will likely to be the most disruptive force in the future of marketing. This depends on the adoption of Internet as a medium of communication in widest possible manner. As of date in India only 2% of the population has access to Internet.

**Predictive modeling:** This refers to predictive algorithms such as neural network that are being successfully applied for solving marketing problems. This essentially embraces forecasting methods through application of statistics (classification, correlation, regression, exponential smoothing, and non-linear Markov chains) and Vector mathematics thrown in.

As has been indicated in the beginning that products are made for customers and it is absolutely necessary that companies deliver the superior customer experience. While majority of companies believe that they deliver superior customer experience, only insignificant percentage of their customers agree to this view. This gives the correct picture in that the customer asks for very much more than what a company normally gives and also thinks it gives.

With these in the background the market leaders have started pursuing three imperatives to improve customer experience<sup>1</sup>:

### 1. Design right propositions

The design essentially improves the process of segmentation of customers and designing value propositions for each of the segments. In this specific segmentation the companies not only take into consideration the customers relative probability, but also the possibility of these customers to act as advocates for the company. The segmentation virtually turns passive buyers into active promoters and the customer himself promotes the design specifically offered.

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<sup>1</sup> Adapted from "Tuning into the voice of your customer", Harvard Management update, Volume 10, Number 10, October 2005

**2. Deliver value:**

A well-designed proposition may fail with the customer if it is not effectively delivered to the customer. Cross-functional teams involving marketing as well as supply chain management and a proper system to gauge the customer interaction through data mining and customer relationship management systems. This will help in effective delivery adding value to the customer. The crux of the approach is to integrate the delivery system with the marketing and customer interaction again with the design group.

**3. Develop capabilities:**

Reliability or repeatability is one of the important features of the quality function and also developing customer loyalty to a company. This is particularly important in that superior customer experience is not static but dynamic and requires regular injection of innovation. Continuous improvement in design propositions based on the feedback from the customers can be made possible only with proper tools to measure the customer experience as also customer advocacy.

The 4P's and then the 3P's and finally the new 4P's along with the 3D's all have represented the view points of the sellers and their strategies taking into consideration customers responsiveness. However, Robert Lauterborn felt that the seller's 4P's should correspond to the customer's 4C's namely, customer solution, customer cost, convenience and communication.

**1. Customer solution**

The first P namely the product should meet the requirements of the customer and solve his problems. In other words, when the customer is looking for a solution the product should come as a boon.

**2. Customer cost**

With the globalization of markets, competition has become very keen and price has become market driven. Besides the target price, which a customer is ready to pay should include a consumer surplus and so the customer cost is really target cost and not the manufacturers cost. The manufacturer has to apply value engineering and value analysis to bring down the cost to the customer's perspective of cost. This relates to the second P namely Price.

**3. Convenience**

A customer wants a product or service to be offered to him where and when he needs. A product to be available on time and in time is what the customer desires. Dead lines as well as the place of delivery assume greater importance from the angle of the customer and this has to be built into the 4P's. This aspect relates to the third P, Place.

**4. Communication**

Customer is no longer satisfied with hearsay information and they want to be educated about a product – cost, USP, method of application etc. Towards this communication, the seller should be precise and must remove all doubts about the product or service being offered. Often the relative advantage over a similar product in the market becomes more important as a competitive edge for the seller. This can be brought home to a customer only through proper communication. This relates to the fourth P, Promotion of a product. May be the customer would desire one to one communication through demonstration.



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## **PRODUCTION ORIENTATION VS. MARKET ORIENTATION**

Production orientation for a product to be put on to the market is based on the concept that customers prefer products, which are available freely and at low cost. But this orientation has given way with the customer driven strategy coming to the fore. So the market orientation stems out of the concept that the company should be more effective than the competitors in creating, delivering and communicating superior customer value to the target markets. This change in the orientation has come about mainly due to the globalization of the market and liberalization of economies all over the world. This has resulted in multiple options being available to the customer and other things being equal the customer now articulates his own option to create a new product, as he has become “the boss”.

## **A FRAMEWORK AND MANAGEMENT OF MARKETING MIX**

Management of marketing mix necessarily requires development of a framework that will cater to the four strategic dimensions namely

- Marketing strategy formulation
- Marketing strategy implementation
- Marketing tactical plans and
- Marketing value through financial analysis

### **1. Marketing strategy formulation**

Four steps are involved in creating such a framework:

- Define the market
- Assess the situation
- Analyze the strategic position
- Create strategic options

#### **i. Define the market**

Market definition follows the nature and application of the product and its life. Fast moving consumer goods, industrial products, capital goods, commodity goods and so on, have different target markets. Any strategy, tactics or value creation can be suited only to the target markets and not otherwise.

#### **ii. Assessment of situation**

This assessment involves again four steps:

- Laying down planning assumptions on the basis of the variables involved in the marketing
- Value chain
- Profiling
- Segmentation

### **Laying down planning assumptions on the basis of the variables involved in the marketing**

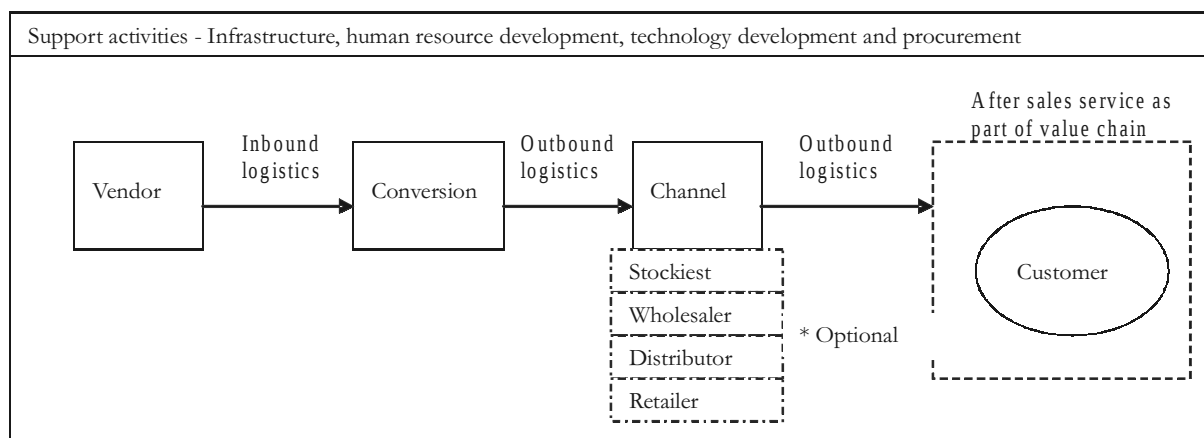
Planning for marketing of a product necessarily entails assumptions, both temporal and spatial. The planning can be either a short term or a long term or even a promotional programme.



Accordingly the *time span* of the plan assumptions relating to resources allocation, customer reach, communication, etc will have to be specific. On the *spatial angle*, specifications of the product, certification either statutory or otherwise, standards either be domestic or international, and the product new or existing, whether promotion into the existing markets or new markets assumption have to be drawn in detail.

## Value chain

The value chain essentially includes inbound logistics, conversion of raw materials to product and outbound logistics, distribution through channels, sales and service. The supporting activities are normally materials management, administration, human resources management, finance, research and development.



The value generated by the various activities in the chain needs to be understood and whether those activities that are generating no value, less value and high value are customer centric or not. With the customer driven strategy it is necessary to eliminate those activities that are not adding value and enhance the value of those activities where customer has specific preferences. According to Michael Porter value chain can be used as a tool for identifying ways to create more customer value. A value chain has normally nine activities out of which five of them namely inbound logistics, operations, outbound logistics, marketing and sales, service supported by four activities, infrastructure, human resource development, technology development and procurement.

The company's task is cut out in that it has to examine the value chain and integrate it with the marketing strategy, tactics and value. It also beholds the company to identify the core business processes in the value chain that will have immediate impact on the marketing function. Those processes include:

- Market sensing process, these include various activities, which help in gathering market intelligence that can be communicated to the different layers of the organization. This will help the specific value chain activities to respond to such information in design and production of the product.
- New offering realization process, this specifically identifies research and development operations and commercializing the same either through a prototype or pilot plan



- A customer acquisition process, this relates to all activities, which are involved in identifying target markets and prospecting new customers
- Customer relationship management process, this activity is both proactive and reactive. It reacts to the customer response based on questionnaires, customer complaints, etc. It is proactive by providing after sales service as part of regular marketing process to gain customer confidence, identify any weaknesses in the product or service delivery and offer corrections then and there before the customer himself points out the problem
- Fulfillment management process, this is an activity for maintaining order book and follow up there on. This forms a basis for receiving and accepting orders and shipping the product on time and collecting the payment there for

### **Value Migration is another important aspect in value chain.**

As the term value it is not absolute but relative, the significance of the value has been changing corresponding to the changing customer needs. So it becomes relevant to understand the concept of value migration, especially as understanding this aspect ahead of his competitors gives a competitive edge.

There are three types of value flows – between the industries, between companies and between divisions of a company. These need to be monitored on a continuous basis so as to detect and measure the changes happening. The three stages in value creation are value inflow stage, when the value is absorbed from other companies or industry; value stability stage, when there is a competitive equilibrium between market shares and profit margins; value outflow stage, when company tends to loose their market share, reduce the profit margins and outflow of talent and other resources. These stages can be identified through lead indicators to take proactive steps.

### **Profiling**

The profiling of the characteristics of the customers helps both in design of the product and channel. Their number, demographic distribution, income, shopping habits and reactions to different selling methods can provide a fairly good profile of a customer. For example, if it is a low-income segment, it may be necessary to reach out to them directly to reduce channel costs and pass the same on to them. Again if it is a very high-income segment that are in the habit of ordering materials online, then it may be necessary to have the products or services delivered at the customer's door. Again the product characteristics also may have to be modified according to the customer profile, e.g., McDonald had to change their recipe to suit particular customer segments.

The bases adopted for profiling are:

- Behaviors, preferences and attitudes shown for a product category
- Behavior and attitudes towards brand selection
- Attitudes of the customers about themselves and environment



## Segmentation

A market segment consists of a group of customers who share a similar set of needs and wants. Segment marketing helps in creation of fine tuned product or service, as the target segment is fully known. Again, the company can also select better distribution and communication channels in tune with the segment to be addressed. The four basic criteria for market segmentation are:

- The segments must physically exist in the environment and should not be imaginary
- Segments must be identifiable on a consistent basis
- Segments must have reasonable stability over a time span
- The company must be able to reach the segments through specifically tailored initiatives in regard to communication and distribution

Segmentation of a market are done by two methods namely, a-priori and post-hoc methods.

A-priori method classifies customer groups by generally accepted procedure related to variations in customer usage of the product category.

Examples of a-priori segments are:

1. Standard industrial classification groups (SIC)
2. Basic demographic groups (Age, sex and household composition)
3. Usage groups (Volume users, lean users, and non-users)
4. VALS (Values and lifestyles classification system) and
5. PRISM (Geo demographic classification system)

Post-hoc method is empirical and is based on research studies undertaken for the specific purpose of segmentation. Research can be based on the basis of questionnaires and interviews. There are three different classes of algorithms for conducting post-hoc segmentation studies based on cluster analysis, correspondence analysis and search procedures.

Examples can be:

- Preferences to product attributes and values
- Patterns of product purchase and usage
- Brand preferences and brand loyalty
- Price sensitivity and so on

However, segmentation has its own limitations, as the similarities in wants are a dynamic proposition and undergoes change disproportionately. So a flexible market offering has to be designed in two parts:

1. Naked solution, which provide the products and service elements based on the segment consensus



2. Discretionary options allow modifications to suit some of the segment's customers who are at variance with the majority. For example, community-building models that are special websites developed to create special interest community where users may provide information for products or services. The same website can bring consumers/users to concise location making them more available for communication by a company. This creates social bonds and enhances customer relationships by mass customization.

### iii. Analyze the strategic position

Strategic positioning is the act of designing the company's product and image to occupy a distinctive place in the mind of the target market. Towards this, analysis will have to be made under the following four areas:

- Attractiveness criteria
- Critical success factors
- Competitor analysis
- Differential advantage analysis

**Attractiveness criteria:** The product as perceived by the customer will be mainly on the basis of the features, which attract the customer. Such features can be utility, price, quality and unique selling proposition.

**Critical success factors:** These factors can be both absolute and relative. They are absolute to the extent of maintaining the required level of attributes as per the standards like Bureau of Indian Standards, International Standards Organization, and etc. But these levels are only the eligibility criteria for entering into the competitive arena. In the market, superior quality compared to the competitor is the critical success factor. In the same manner pricing a product is no longer in the manufacturers' domain and critical success factor in this regard will be the target price (lowest price) of product in the market. Other criteria remain equal such as quality, applications, service and deliverability.

**Competitor analysis:** The strategic positioning of a product fundamentally requires an understanding of the existing competitors and their strengths and weaknesses. The information needed for such an analysis will be concept design strengths, physical resources available, marketing capabilities and structure, financial resources and structure, managerial style and scope.

**Differential advantage analysis:** Taking all the three above into consideration a comparison will show clearly where exactly the particular company has the edge, which can be converted into a differential advantage consistently and on a sustainable basis. It may turn out that the particular company has an edge in cost leadership or differentiation or in focus or technology.

### iv. Create strategic options

- **Determining criteria:** Creating strategic options after assessing the situation and strategic position analysis normally is a-fait-accompli. However, two other criteria also are



needed to fine tune strategic options. They are the determination of the stage of the product life cycle and the stage of the industrial life cycle. These will definitely indicate the strategic options to be pursued, as the management accountant would like to be part of this strategy. He would have worked out the total cost of the product over the life cycle and a cross functional team can determine as to how this cost can be recovered over the life cycle of the product taking into consideration the situation and strategic position analyses.

- **Developing options:** The options can be share building, market concentration, harvesting and skimming through cost leadership, focused cost leadership, differentiation and focused differentiation. These options will have to be punctuated against the life cycle of the product, strategic positioning criteria and the situation assessment.
- **Selecting options:** It is very clear that a single option may not always be the solution and options will have to be applied selectively, temporally. In the embryonic stage of the product the option will be to build market share using cost leadership or a penetration price. In the growth stage, margins are increasing due to economies of scale and greater advantage can be taken if it's a pioneering product by using skimming option. If the product is of very high value and volumes are low, then focused cost leadership or focused differentiation will be the options. In the maturity stage of the product, the product has become a cash cow and as such the strategic option will be to maintain profitability and divert funds for research and development to produce a new substitute. In the decline stage, focused differentiation and harvesting are the options, as the product has to be phased out.

## **2. Marketing strategy implementation**

Having selected strategic options, implementation of the same would involve four levels, namely functional, business, global and finally corporate in the sequential order. These four level strategies are already been discussed in detail in earlier module. The relevance of these to the marketing strategy will include the timing of these strategies, as there are three overlapping lifecycles, namely, trade cycles, industry cycles and product cycles. Functional level strategy implies implementing the required option with in the company and graduate to the next level of business taking the total domestic market into consideration.

With the globalization of activities selected strategic option will have to implement taking into consideration the cross border markets and their ramifications, if the company has exports or presence internationally. In the fourth level all the three levels have to be properly integrated in a holistic fashion for the corporate as a whole.

## **3. Marketing tactical plans**

The holistic exercise referred to in the previous paragraph can be broken in to

- Key programmes and
- Operational plans.

These lay down the tactics to be followed while implementing corporate level strategy. The key programmes will highlight product promotion, positioning, introduction of substitutes



etc. The operating plans can be a package of physical targets, financial targets and the modalities and the timing of each stage or events to be monitored. These plans can both be long term and short term. Care should be taken whenever a short-term plan is prepared it has to be properly dovetailed with the long-term plan already approved. Finally, from the short-term plan, annual exercises in the form of operating budgets are to be prepared for control purposes.

#### **4. Marketing value through financial analysis**

Implementation of strategic options for marketing can be two fold:

One time exercise

Continuing exercise

One-time exercises are those when market surveys are conducted, new products are introduced, harvesting is done or a new market is established. These exercises can be stand-alone exercises and their viability criteria will have to be established independent of other activities. The financial analysis also will be a stand-alone exercise with specific resource allocation, utilization of funds, monitoring the efficiency and computing the results in terms of value.

The Continuing exercises are the marketing and sales of existing products for which demands have already been identified, markets have been segmented and geographical sectors have been marked out. The continuing exercises would involve pricing exercises and adjustment for the same for inflation, identifying marketing costs like distribution and selling costs and laying criteria for the same. The marketing budget will thus have profitability exercises arising out of sales and the marketing cost monitoring for selling and distribution expenses including logistics.

### **E-MARKETING**

Judy Strauss and Raymond Frost's e-marketing model defines e-business as a continuous optimization of a firms business through digital technology.

$$EB = EC + BI + CRM + SCM + ERP$$

Where, EB is electronic business, EC is electronic commerce, BI is business intelligence, CRM is customer relationship management, SCM is supply chain management and ERP is enterprise resource planning.

EC uses digital technologies to enable buying/ selling, BI uses digital technologies for collecting primary / secondary information, CRM is strategy to satisfy customers and build long lasting relationships on the basis of high interaction with customers. This high interaction has been enabled through webinars and web conferences. SCM relates to delivery of products efficiently and effectively both by the vendors to the manufacturers and manufacturers to the distributors/ customers. The high interaction with vendors and customers has been possible through EDI (electronic data interface), paper less transactions. ERP has helped optimization of business processes and lowering costs. Order entry and purchasing, invoicing and inventory control have been speeded up and also optimized through MRP, JIT, Kanban, etc using digital technologies.

**BRAND**

A brand has two faces that are verbal and non-verbal. A brand is a combination of name, color, sign, symbol or design intending to identify a company offering goods or services that help in differentiating the company from other companies in the market place. The key to building brands is not through intuition, but by adopting a scientific approach. This methodology combines forward-looking market segmentation with a better comprehension of customers and a brand identity. The gamut of information about customers and their buying patterns need to be analyzed by sophisticated statistical tools to develop a database for branding. Adopting quantitative techniques sometimes may affect creativity for developing a brand. But the more analytical a company approaches the customer needs, the brand identity helps to direct new thoughts into areas that make a difference.

Analysis of the customer needs and habits often lead to spotting of meaningful trends, which can be translated to growth projections for a new insight or a range of products under one brand. The changing trends of customer, tastes, fashion and wants may create most promising future segments, which may become the basis for building a brand. Cost effective brand building depends on knowing precisely what the customers need, want and take delight. This will help the brand building exercise for defining a brand with conceptual clarity and delivering it to the customers.

In short a brand involves emphasizing its key benefits and attributes for the customers. This will be possible only when the companies recognize a brand is made up of functional attributes - tangible and intangible, emotional benefits coupled with its identity that will serve the basis of a powerful global brand.

Successful brands combine features that are important to the consumers and also differentiated from the competitors. This combination needs to be cost effective as otherwise the benefits of brand may not be significant. So trade offs are necessary to match the cost of building a brand against the corresponding potential returns over a time horizon. For such computations quantitative tools are available. Apply social science techniques to identify the drivers, which drive brand attributes to create loyalty among customers. For this pathway modeling, developing structural equations, relying on basic regression techniques have helped efficient brand building. Proper comprehension can be developed by forming structural equations using diverse factors giving information through loyalty programmes, consumer surveys, electronic point of sale data, attitude based research, etc. The pathway modeling has allowed quantification of the potential impact of brand initiatives on customer loyalty. This quantification can be converted through value imputation in the form of dollars or rupees. So the companies can make approximate estimates about the return on their investments for building brand equity.

Brands relationship to Strategy can be gauged from the fact that they lend greater meaning to the strategy due to the following factors:

1. Brands can be identified as a basic entity for financial analysis, where there is a range of products that cannot be identified severally
2. Brands are more relevant to strategic analysis as they have longer lifecycles than the products



3. Brands help in the determination of the value of the product range
4. Brands help a company enter un-chartered areas of market more speedily with less risk

Kotler (1997) has classified five brand strategies as follows:

1. Line extensions: Applying existing brand name to new sizes or flavors or colors of a product. These are known as brand variants also.
  - a. Advantages
    - Cost of brand support is absorbed on higher sales
    - Helps continuity of a brand
    - Improves the rate of survival of new products
  - b. Limitations
    - By line extension brand loses its specific meaning
    - Too much emphasis on brand is often deleterious to sales of new products
2. Brand extensions: The existing brand is also used to launch a product under new classification. An example is Parry's confectionary and Parry's fertilizers.
  - a. Advantages
    - As a brand is known the new product gains earlier recognition and acceptance
    - Launching costs are lower
    - The brand gets strengthened with an array of products of different classifications
  - b. Limitations
    - A bad new product can have a harmful impact on the original product
    - Extension of brand may not be appropriate to the new product
    - Indiscriminate extension of brand may lead to brand dilution
3. Multi-brands: A company offers different brands under same product category. Food products companies, publishers, and detergents, so on practice this.
  - a. Advantages
    - Accessibility to sub segments with different price points
    - It is used as a barrier to entry
    - Protects major brands by introducing fighting brands
  - b. Limitations
    - Cannibalization of market may happen
    - Cost of promotion is higher
    - Uncalled for competition among the brands of the same company
4. New brands: A new product category is introduced under a new brand name.
  - a. Advantage
    - A break away from the old brand identity
    - Can introduce new value additions
  - b. Limitations
    - Cost of establishment of new brand is more expensive



- Takes more time to establish
  - The brand must be extendable or it may be expendable
5. Co brands: Brands can be combined in an offer.
- a. Advantage
    - Helps both the products with each others reputations if they are complementary
  - b. Limitations
    - Unless the products are complementary this method will not work

**Brand equity and its value**

The endowed added value provided to all products and services is brought under the concept of brand equity. There fore brand equity is the added value share of every brand in comparison with other brands. It can also be said that it depicts the differentiations in terms of value additions existing or proposed as perceived by customer. Brand equity can be equated with recognition of the brand through the number of customers, who are satisfied with the brand, customers who value the brand and see it as a friend and those customers who are devoted to the brand. Brand equity is essentially an asset and can be defined as the differential effect on a customer whose response to a product or service is through the knowledge of the brand. In essence brand equity makes a customer show a preference for one product over another when they are congruent.

Brand valuation is estimation of the total financial value of the brand. The estimate for valuation is based on the price premium the brand commands multiplied by the extra volume it is able to market over an average brand.

**Brand valuation can be done in five ways:**

1. Add up all costs of research and development and marketing expenditure of the brand over a specific time horizon. This method has certain limitations in that it is difficult to identify all expenses that relate to the brand and only quantifies the cost and not the value
2. Based on the present value of the price premium that a brand commands over the unbranded product. This is the first approach, which brings in the additional value earned by a brand. However,
  - a. It is difficult to identify a proper unbranded good for comparison
  - b. It does not recognize the stability attribute brought in to the earnings by the brand
  - c. The possibility of a brand being a barrier to the entry and this aspect in terms of value is not included
3. If the brand were to be auctioned the value that may be fetched by such auction. Conceptually, this method is very sound but it may not be practicable for brand market is very narrow and accurate valuation is not possible
4. Computation of value based on intangible measures such as esteem, recognition and awareness. While the approach sounds interesting, translating these intangibles into commercial value is extremely difficult and the methods of quantification through use of statistics can be flawed



5. Discounting future potential earnings for brand valuation. This method virtually includes all the information from the earlier four methods and in addition has to develop a reliable forecast of future earnings and growth. Here it is difficult to gauge the life of the brand and the time horizon to be set apart from quantifying the earnings.

## **MARKET RESEARCH AND INTELLIGENCE**

Organized intelligence is to obtain information by coordinated organizational activity to monitor specific aspects of the environment. Companies have either in house capability to collect the above information in a systematic manner and analyze competitive intelligence. Some other companies delegate this task of collecting, collating, analyzing and disseminating the pointers to outside agencies to reduce their fixed cost. Decision-making requires both formal and informal information. So, systematic collection of data as indicated above may not suffice the requirements for decision-making. The informal information collection is either through grape vine or unconfirmed news items, which can be reliable and unreliable.

For an organized intelligence system to be established it is necessary to lay down certain criteria.

- The level of knowledge regarding domestic competitors among the top executives of the company
- The level of knowledge of the middle management about competitors and industry
- The level of knowledge of peer members about their own activities within the organization
- Availability of proper dissemination of continuing developments of the competitive markets through regular bulletins
- The level of knowledge about global competitors and market developments among the top executives of the company
- Availability of online databases with the company
- Availability of surplus data and the necessity to eliminate irrelevant information

Apart from providing information, formal research is required for making long-term decisions in a company. Developing a research plan may use different techniques that are available; they are demand pattern analysis, income elasticity measurements, and estimation by analogy, comparative analysis and cluster analysis.

## **DATA WAREHOUSING**

Devlin (1997) has studied evolution of data warehousing over three decades and has divided this time span into four definite intervals.

- Pre historic times (before 1980's): Before the emergence of personal computers, the information systems department of any company maintained collection of information and related database. Cost of collection was high as also the lack of domain knowledge of the systems department surplus information had to be gleaned into wasting valuable time.
- The middle ages (1980 – 1990): Data warehousing had its beginnings and the use of data modeling approaches and tools came into existence. Operational systems and information systems emerged distinctively.



- The data revolution (starting from 1990): Globalization of markets and liberalization of economies in various countries took place during this period, in effect technological developments in data modeling, data bases and applications development came into center stage.
- The era of information based management (21<sup>st</sup> century): A consolidated information source, distributed information availability, information in a business context, etc forged into the concept of business intelligence has taken shape. Presently, a data warehouse offers structured information by:
  - Presentation of standard reports and pictorial representations from required sources
  - Dimensional analysis and user friendly format for comparison of results across different dimensions including a time horizon
  - Introduction of the process of data mining

## DATA MINING

Data mining is essentially the discovery of purposeful information for decision makers. By application of information technology knowledge discovery in databases (KDD) have been able to lay bare the required insights from maize of data. The technique searches for invisible relationships, patterns, correlations and interdependencies. It also uses specific tools to solve specific questions.

## INNOVATION BASED ON SUCCESSFUL CUSTOMER OUTCOMES (SCOs)

According to Mark McGregor and Steve Towers in their book “Thrive”, three straightforward steps can be used as the basis of action plan that can help any organization to place the customer at the center of its activities. The emphasis is not just in the words that the organization uses but in everything that the company does, from the way that it structures itself, through performance rewards, to innovation. Being a business driven by SCOs also means moving away from the constraints of Industrial Age thinking – big hierarchies, functional stovepipes and limiting improvement to the best practice seen in competitors.

### **1. Work out the customers whose needs you are trying to meet, and understand those needs well**

A fundamental requirement for defining good SCOs is to make sure the marketers are concentrating on the right “C”. It is important to differentiate between core customer and enabling customers. It would mean that the focus should be on the core customer without losing the sight of the enabling customer.

### **2. Keep everything clear and simple and focus on customer**

Every company should express the purpose of its existence in clear concise statements and explain about their products in simple transparent straightforward language.

### **3. Align the organization to SCOs**

This is ability of an organization to manage change. SCOs are possible only when the company is dynamic to take the changing customer perspective and align themselves quickly. Towards this the organizations have to be agile and flexible.